2016 ANNUAL REPORT

EximBank România

PRESIDENT'S MESSAGE

ExImBank had as main objective for 2016 infusing as much funds as possible in the real economy, into companies' activities, the bank priorities being to encourage exports, Romanian investments abroad and supporting the projects in national economic priority domains through integrated financial solutions of financing and guaranteeing.

In this respect, bank's efforts focused on increasing the client database, volumes for financing and market share along with a diversified products portfolio and complementary services, in competitive, prudential conditions and efficiently using resources.

In order to reach these two objectives, the bank has acted on two levels. On one side, we have been focusing on increasing the usage rate for the financial instruments granted in the name and on the account of Romanian State, EximBank being the main instrument for distributing the public funds in the economy in order to increase the competitive level of local companies. We have therefore implemented simplified working flows – based on an efficient separation between the activities under the State mandate and the specific commercial activities, we have launched new products and, more importantly, we have succeeded in better communicating with our partners – the other commercial banks. On the other side, we aimed at speeding-up the commercial bank activity. During the last years, the bank has implemented a complex modernization process, adapting its products and services to the clients' and competition standards so that in 2016, EximBank has approached the market fully prepared to address the corporate segment with a complex portfolio of products and services attractive for all Romanian companies.

Following these actions, at the end of 2016, the total exposure managed by EximBank reached 5,065 Million Lei and total new-granted facilities amounted at 1,790 Million Lei, a 439 Million Lei increase as compared to 2015, closing the fourth year in a row with net positive financial results.

As for 2017, considering the Romanian banking system trend of consolidation and increased operational efficiency, EximBank will concentrate its efforts on stirring up its commercial activity through an accelerated use of specific features and available resources.

Traian Halalai,

Executive President EximBank

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

01 GENERAL OVERVIEW OF THE BANK AND THE GROUP

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 tools. Its specific financial products are dedicated exclusively to the corporate segment and can be accessed under advantageous conditions by any type of company, whether it is an SME or a large company, conducting international transactions, or addressing only the domestic market. Companies also have a competitive portfolio of treasury, cash management, trade finance and factoring products, which complete the offer of financing and guarantee. At the same time, because it acts as a state agent on the Romanian guarantee and insurance market, EximBank is the main channel through which the public funds, made available by the Romanian state, are fed into the real economy. EximBank is a private law entity, a joint stock company owned 95.374% by the State, through the Ministry of Public Finances.

I.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

Exim Romania SA Insurance – Reinsurance Company (EximAsig) 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 calamities insurance, insurances for property damage, civil liability insurance, accident insurance, insurance of goods in transit and financial loss insurance.

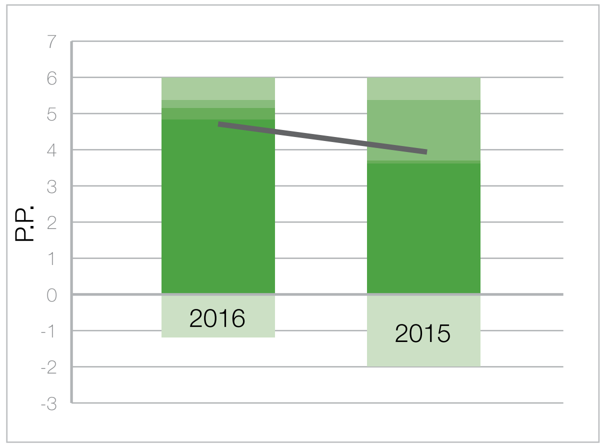
The Company's products are addressed to clients developing business with both foreign and domestic counterparties, in various areas such as trading/commerce, goods and products, transportation, constructions/building, oil and gas, IT, etc.

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.

02 THE LOCAL ECONOMIC AND FINANCIAL ENVIRONMENT IN 2016

Romania was the EU's fastest growing economy in 2016, with real GDP posting a robust growth of 4.8% yoy (2015: +4.0% yoy). Imports of goods and services continued their surge (+9.6% yoy, up from +9.4% yoy in 2015), while the improved foreign demand led to exports growing at a faster pace compared with 2015 (+7.8% yoy vs +5.2% yoy in the previous year). These developments have led to the narrowing of negative net exports thus benefitting Romania's economic growth. On the downside, demand for investment was weak, growing by a mere 0.8% in 2016 (vs +7.1% yoy in 2015).

The main driver of growth in 2016 was private consumption, which contributed +4.9 p.p. to the dynamics of real GDP (vs +3.7 p.p. in 2015), while government consumption added just 0.3 p.p. (compared with a contribution near to zero in 2015). The fall in investment implied a low contribution to real GDP growth of just 0.2 p.p., after a robust +1.7 p.p. in the previous year. The positive evolutions in foreign trade led to net exports becoming less of a drag on economic growth, with a negative contribution of 1.2 p.p. in 2016 (vs minus 2.0 p.p. in 2015).

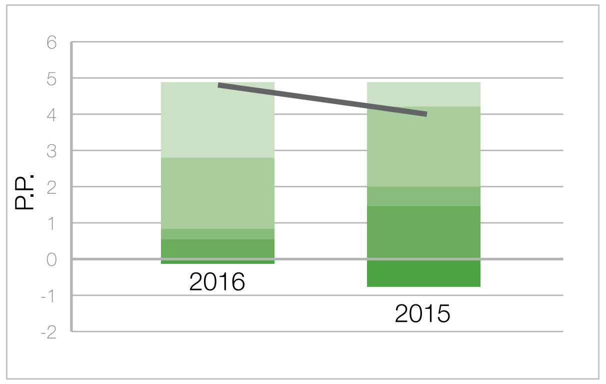


CONTRIBUTIONS TO REAL GDP GROWTH

Househ. cons. | Investment | Net exports
Govt. cons. | Residual | Real GDP

Source: Eurostat, EximBank calculations. The residual component accounts for the cumulated effect of change in inventories and statistical discrepancy.

From a sectoral perspective, economic growth was largely driven by trade and services, the latter accelerating significantly in 2016 and posting a significant contribution to real GDP growth (+2.0 p.p. vs just +0.5 p.p. in the previous year). These developments are in line with the continued surge in household consumption.



SECTORIAL CONTRIBUTIONS TO REAL GDP GROWTH

Agriculture | Industry | Construction
Trade | Services | Real GDP

Source: Eurostat, EximBank calculation.

In the context of resilient domestic demand, imports surged in 2016, posting a 9.3% increase yoy (compared with +9.2% yoy in 2015), development that was partially offset by the stronger dynamics of exports, which increased by 7.6% yoy in 2016 (vs +5.4% yoy in the previous year). Export growth was mainly driven by the industries that are globally integrated, e.g. automotive and manufacturing of electrical equipment. At the same time, imports slowed down somewhat due to industries such as processed food, chemical products, oil, automotive and production of equipment and machinery.

From a capital account perspective, net inflows of foreign direct investment reached their post-crisis peak, amounting to roughly EUR 3.9 bn, i.e. around EUR 1 bn more than in 2015. However, it should be noted that Romania faces several external uncertainties that could lead to a significant increase in the volatility of capital flows. Among others, these uncertainties include the yet to be clarified implications of Great Britain's exit from the EU, the divergence between the monetary policies of the world's main central banks, the banking crisis in Italy, as well as the economic policies of the new US administration. Domestically, the main challenges refer to the sustainability of Romania's economic growth model, as well as the state of the country's public finances.

Economic expansion was also accompanied by falling rates of unemployment and rising unit labour costs, which hindered the competitiveness of companies operating in Romania.

In this period, the domestic banking system has sent mixed signals regarding the evolution of lending. The stock of corporate loans granted by commercial banks has shrunk for the third year in a row, declining by 3.1% yoy, mainly due to the reluctance of companies to take on leverage, as well as the likely balance sheet cleanups performed by credit institutions.

The monetary policy stance remained accommodative throughout 2016, with the policy rate, as well as the rates applicable to the deposit and lending facilities unchanged at 1.75%, 0.25% and 3.25% respectively. In general, the EUR/RON and USD/RON exchange rates did not exhibit significant volatility, except for the last quarter of the year when the USD/RON rate followed closely the greenback's significant appreciation against the euro. Occasional spikes in currency volatility were caused by external events such as Great Britain's vote to leave the EU, the change in investor sentiment following the US election, the uncertainty surrounding future monetary policy decisions by te ECB and the FED etc., as well as certian domestic developments (e.g., the application of the datio in solutum law, the evolution of Romania's public finances, the fiscal and public sector pay policies etc.). These events also contributed to increases in the volatility of Government bond yields; however, these have remained at levels that do not affect the sustainability of public debt.

+7,6%

dynamic of exports in 2016

03 COMMERCIAL ACTIVITY IN 2016

III.1. EXIMBANK'S ACTIVITY IN 2016

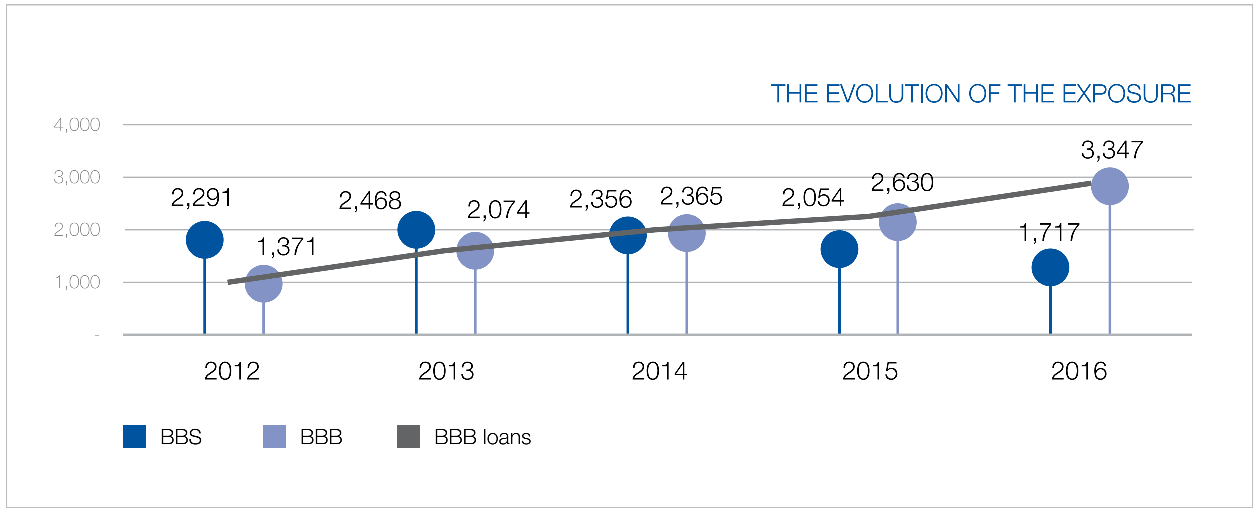
In line with its strategic objectives and the economic and financial context, the Bank's priorities in 2016 continued to focus on promoting exports, Romanian investments abroad, the absorption of European funds and supporting projects whithin the priority areas of the national economy through integrated financial solutions. In this regard, 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.

At the end of 2016, the Bank managed total exposures amounting[1] to RON 5,065 million, of which 66% represent commitments given on behalf of and to the benefit of the Bank.

EXPOSURE UNDER MANAGEMENT	2016		2015		VARIATION	
	RONM	% IN TOTAL	RONM	% IN TOTAL	RONM	%
On Behalf of and to the Benefit of the Bank	**3,347**	**66%**	**2,630**	**56%**	**+718**	**+27%**
Financing, of which:	2,894	57%	2,272	49%	+622	+27%
- Loans	2,286		1,927		+359	+19%
- Unused commitments	608		345		+263	+76%
Guarantees	453	9%	347	7%	+105	+30%
Letters of Credit and Incasso	1	0%	10	0%	-9	-95%
On Behalf of and to the Benefit of the State	**1,717**	**34%**	**2,054**	**44%**	**-337**	**-16%**
Financing	68	1%	81	2%	-13	-16%
Guarantees	1,628	32%	1,962	42%	-335	-17%
Insurance	21	0%	10	0%	+11	+110%
Total	**5,065**	**100%**	**4,684**	**100%**	**+381**	**+8%**

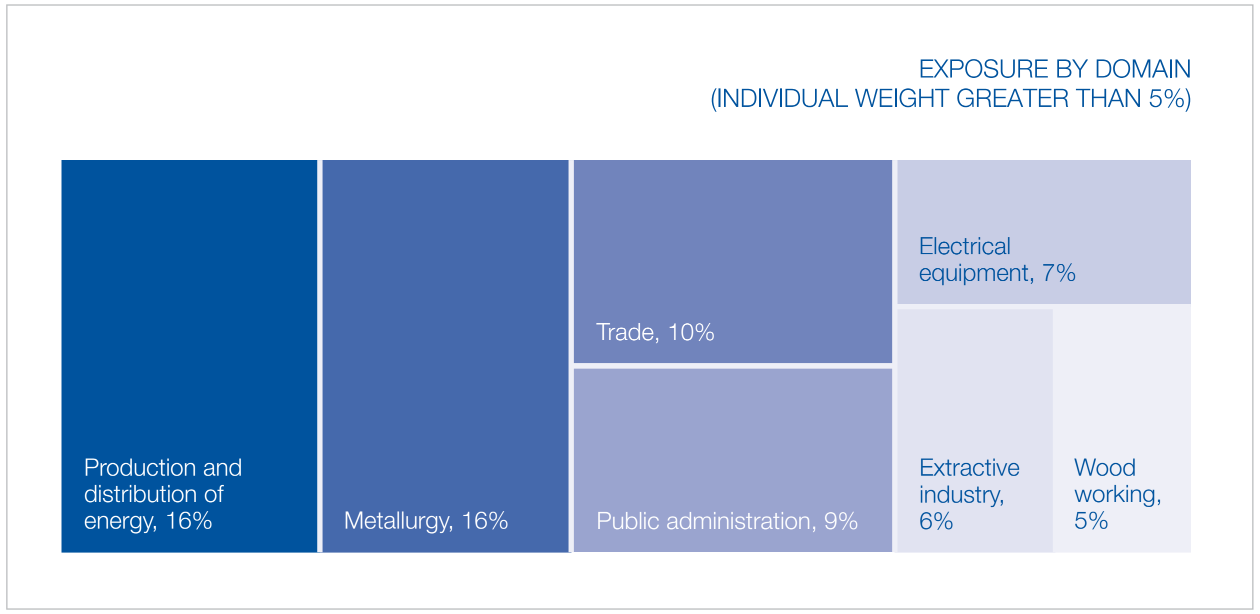
[1] *Financial instruments such as loans and unused commitments, commitments and letters of guarantee, letters of credit and insurance.*

Starting with 2012, the ratio of BBB and BBS commitments reversed, the evolution being mainly determined by the acceleration of lending , as shown in the chart below:



The number of clients and the number of contracts awarded in the BBS activity has had a positive dynamics in recent years. The bank products covered a wider range of customers with low and average commitment.

EximBank's products mainly focused on the priority areas of the economy, including *energy production and distribution (16%), metallurgy (16%), trade (10%), electrical equipment (7%), extractive industry (6%):*



The volume of new products granted during 2016 is at the level of 1,790 million lei, by 439 million lei over the level of 2015 as follows:

SALES VOLUMES	2016		2015		VARIATION	
	RONM	% IN TOTAL	RONM	% IN TOTAL	RONM	%
On Behalf of and to the Benefit of the Bank	**1,406**	**28%**	**1,117**	**24%**	**+289**	**+26%**
Financing	1,013	20%	917	20%	+96	+10%
Trade Finance	393	8%	199	4%	+193	+97%
On Behalf of and to the Benefit of the State	**384**	**8%**	**234**	**5%**	**+150**	**+64%**
Financing	4	0%	0	0%	+4	+100%
Guarantees	354	7%	227	5%	+127	+56%
Insurance	26	1%	6	0%	+20	+308%
Total	**1,790**	**35%**	**1,351**	**29%**	**+439**	**+33%**

Compared to 2015, the Bank is accelerating the pace of sales, both BBB and BBS, increasing in particular sales of Trade Finance BBB products and BBS guarantee.

Regarding the strategic priority (aligned with the specific mission of the Bank), the export support, it materialized in 2016 in a volume products granted to exporters of RON 721 million (40% of the total value of sales in the year).

Thus, the value of the commitments granted to companies performing export operations reaches RON 3,281 million (65% of the total value of the total portfolio) at the end of 2016.

The financing and guaranteeing of the projects in ***the priority domains of the national economy*** had the main motivation to stimulate the economic development of Romania, a government objective to which EximBank, through its specificity, is aligned. For this purpose, for the year 2016, the strategic objectives of the Bank included a series of domains to which sales activity will focus.

Of the total volume of products granted during 2016 (RON 1,790 million), 22% were invested in trade, 16% in the public administration, 10% in the metallurgical industry, 8% in the woodworking, 6% in agriculture.

SME support remained a strategic priority in 2016, when SMEs benefited from products totaling RON 597 million, accounting for 33% of the value of sales in 2016 and 67% of the total number of products granted by the Bank in the reporting year.

The areas thus supported were mainly *metallurgy, agriculture, wholesale and retail.*

In 2016, an important goal was also to **increase the number of credit customers.** Dynamics of the Bank's total customer base and contracts had an upward trend.

The customer categories structure evolution shows the increase in the volume of products with small customers (+ 1%) and medium customers (+ 10%) to the detriment of the large customers (-3%), indicating the orientation of EximBank resources to support companies with need and potential of growth, while reducing the concentration of exposures.

III.1.1. 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 2016 consist of loans, letters of credit, incasso, guarantees and multi-product limits amounting to RON 3,347 million, up from the end of 2015 with 27% as value and 45% as number of commitments assumed.

BBB EXPOSURES	2016		2015		VARIATION	
	RONM	% IN TOTAL	RONM	% IN TOTAL	RONM	%
Financing	2,894	86%	2,272	86%	+622	+27%
No. contracts	567	68%	401	70%	+166	+41%
Trade Finance[2]	453	14%	358	14%	+96	+27%
No. contracts	266	32%	175	30%	+91	+52%
Total	**3,347**	**100%**	**2,630**	**100%**	**+717**	**+27%**
No. contracts	**833**	**100%**	**576**	**100%**	**+257**	**+45%**

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 volume of the EximBank 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 2016 to RON 2,894 million, 27% over the end of the previous year. Under these circumstances, the Bank's market share in corporate lending increases from 1.6% on 31.12.2015 to 2.0% at 31.12.2016.

The increase in financing activity is reflected in the increase of the number of contracts by 41%, 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.

The financing of RON 1,013 million committed during the year was mostly oriented to *public administration* (29%) and to *medium and large companies in metallurgy* (14%), *trade* (14%), *woodworking* (9%) and *transportation* (7%).

As regards the quality of the portfolio, loans with debt service of over 90 days or / and for which legal action against the debtor was initiated by EximBank, contaminated at the client level, is at a level of 0.8% as of 31.12.2016, down significantly from 3.3% in 2015.

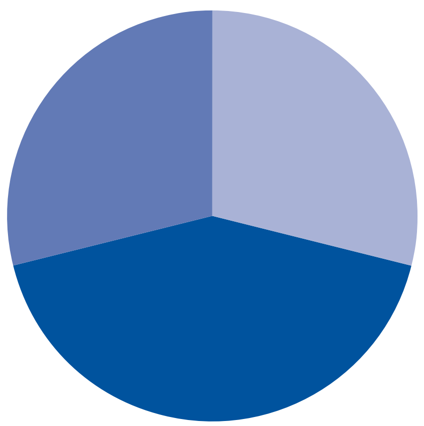
The non-performing loans rate (non-financial corporations) was 19.8% as of 31.12.2016 , similar to the average of the banking system at the latest available data period (30.09.2016: 19.3%). Concerning the coverage of non-performing loans, Eximbank's provisions coverage ratio is 26%, while taking into consideration all liquid guarentees and provisions the coverage ratio becomes 80%, compared with the average banking system provisions coverage ratio of 55.6%.

II. TRADE FINANCE

The total volume of trade finance products committed on Behalf of and to the Benefit of the Bank reached RON 453 million at the end of 2016, up 27% from the beginning of the year. Of these, RON 279 million represent letters of guarantee issued to non-bank clients while RON 174 million represent unused guarantee/multi-product limits.

During 2016 the Bank granted guarantees, letters of credit and guarantee/multi-product limits amounting to RON 393 million were issued, almost double than the previous year, of which 56% were destined for export customers.

THE STRUCTURE OF THE PRODUCTS GRANTED IN 2016



[2]*Issued guarantees and limits, letters of credit, incasso, multi-product limits.*

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 the risks of investments, the optimization of the portfolio of government securities and diversification and widening of the sources of financing.

Also in 2016, both the interbank market operations and the proactive approach of the Bank's non-bank clients for treasury products were considered.

Transactions in the ***government securities market*** during the year resulted in transactions with available for sale securities and held for trading securities. Total portfolios are growing by RON 85 million, from RON 1,743 million in 2015 to RON 1,828 million by the end of 2016.

The volume of transactions on the ***interbank foreign exchange market*** increased in 2016 to EUR 3.9 billion, From EUR 3.2 billion in 2015, EximBank thus becoming an active counterpart on this market.

The average due to banks balances increased from RON 227 million in 2015 to RON 511 million in 2016, the average financing cost decreasing from 0.5% in 2015 to 0.3% in 2016. On the other hand, the placements in bank deposits decreased from RON 235 million in 2015 to RON 128 million in 2016, with a decresing yield (0.5% in 2015 compared to 0.2% in 2016).

Trading with non-bank customers. The range of products for non-bank customers is tailored to its needs and by integrating the treasury offer into a product mix together with cash management and bank financing/ guarantee/insurance products.

Foreign exchange transactions with non-bank customers, facilitated by the launch of the electronic trading platform, had a volume of almost EUR 2.9 billion.

Non-bank customer deposits (sight, term and collateral) continued the upward trend, in line with the Bank's strategy to step up its activity on this segment. In 2016, EximBank opened new customer accounts, both large companies and non-banking financial institutions (pension funds, investment funds and insurance companies), so that the average balance of attracted deposits increased from RON 908 million in 2015 to RON 1,225 million in 2016.

The average cost of funding has also decreased since the previous year (0.6% in 2016 compared to 1.1% in 2015).

IV. CASH MANAGEMENT

As a result of EximBank's commercial strategy of diversifying its non-credit product portfolio and cross-selling revenue growth, a separate Cash Management Department has been created with specific activity.

In 2016, the cash management activity materialized in:

- changing the way of processing the payments in RON and foregin currencies;
- Conducting training sessions on territorial sales force and direct customer meetings;
- Implementing an internal procedural framework to define, implement and monitor customized commissions;
- Updating the existing product documentation, analyzing the existing customer portfolio and activating the cross selling process;
- Developing new products.

The final outcome of these steps was to increase customer volumes and revenue from cash management by 4% compared to 2015.

V. OTHER PRODUCTS

The commercial and credit information activity continued on the two main coordinates, the elaboration and provision of commercial information reports, both in order to support the Romanian business environment and to support the activity of other Bank structures. In 2016, EximBank analysts prepared a significant number of reports on Romanian companies and at the same time facilitated the obtaining of a large number of reports on foreign companies.

III.1.2. 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 temporarily available amounts from the aforementioned funds remain at the disposal of the Bank as deposits from the Ministry of Public Finance for an indefinite period, except for those amounts set by the convention for periods of at least 5 years in order to be capitalized by commitments entered into by EximBank - SA on behalf and to the benefit of the state, in order to fulfill the Bank's objective to stimulate the activity of foreign trade and to develop and promote the Romanian business environment.

The assets and the commitments funded or covered by state funds made available to EximBank 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 1,717 million at the end of 2016 and represent 34% of the total commitments of the Bank of RON 5,065 million.

BBS EXPOSURES	2016		2015	
	RONM	% IN TOTAL	RONM	% IN TOTAL
Financing	68	4%	81	4%
No. contracts	11	4%	21	9%
Guarantees	1,628	95%	1,962	96%
No. contracts	257	94%	220	89%
Insurance	21	1%	10	0%
No. contracts	4	1%	6	2%
Total	**1,717**	**100%**	**2,054**	**100%**
No. contracts	**272**	**100%**	**247**	**100%**

I. BBS GUARANTEES

The main BBS activity is the guarantee. In order to sustain viable projects in cases when customers do not have sufficient collateral, up to 80% of the loans granted by financial institutions, including EximBank, can be guaranteed by EximBank on Behalf and to the Benefit of State. There are three products under this activity:

- 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.

The portfolio of guarantees at the end of 2016, consists of 257 issued guarantees (+ 17% compared to the previous year) and amounts to RON 1,628 million (-17%), out of which 51% guarantees the products of other banks and 49% of EximBank products. Out of the volume of guarantees, RON 1,373 million (81%) sustain exports, and mainly cover the production and distribution of energy (41%) and the metallurgical industry (12%).

As regards guarantees issued in 2016, they amounted to RON 354 million, of which 60% to exporters and 42% to SMEs. The main areas targeted by the new state guarantees were: trade (27%), mining and quarrying (21%), wood processing (10%), agriculture (9%), energy (8%).

II. BBS FINANCING

The portfolio loans on Behalf and to the Benefit of State at the end of 2016 totals RON 68 million, the majority of the beneficiaries of these products being represented by SMEs (97%). Within the structure of the national economy, the extractive industry (94%) is preponderant.

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 receipts 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 OECD countries, countries known to be non-market (typically CIS countries, Middle East, Africa, Asia). At the end of 2016 there were exposures related to the insurance activity amounting to RON 21 million, of which 40% were for wood processing and 60% for energy production and distribution.

III.2. ACTIVITY OF EXIMASIG IN 2016

EximAsig Romania goes through a process of optimizing the quality of the business model, being concerned with the streamlining of the general framework for the operation and use of resources, as well as with the qualitative and qualitative improvement of the client and product portfolio, leading to a consistent dynamization of the activity under prudent risk conditions.

The new insurance contracts were concluded maintaining a medium level of risk tolerance. Gross premiums written during the reference period amounted to RON 11.6 million, the insured amount being RON 4.6 billion. Gross premiums written as a result of attracting new customers amounted to RON 1.4 million.

As of 31.12.2016, the premiums ceded in reinsurance amounted to RON 5 million (2015: RON 12.4 million), representing 43% (2015: 69%) 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.

11,6 **MIL. LEI**

GROSS PREMIUMS WRITTEN

04 CONSOLIDATED AND SEPARATE FINANCIALS

The separate and consolidated financial statements of EximBank SA for 2016 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union at 31st December 2015, 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 2016, consolidated balance sheet assets amounted to RON 4,338 million, up 12% from RON 3,878 million on 31.12.2015, similar to the increase in the bank.

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

ASSETS (RONM)	2016		2015	
	GROUP	BANK	GROUP	BANK
Cash and accounts with the NBR	81.3	81.3	105.4	105.4
Due from banks	117.8	88.8	53.9	35.7
Loans to customers, net	2,160.0	2,160.0	1,842.3	1,842.3
Investment in subsidiaries	0.0	29.4	0.0	23.1
Trading financial instruments	17.6	17.6	0.0	0.0
Available for sale financial instruments	1,810.5	1,810.5	1,628.6	1,628.6
Held to maturity financial instruments	15.7	0.0	119.7	114.0
Fixed assets, investment property	59.4	59.3	59.7	59.5
Other assets	76.0	24.9	68.4	18.2
Total Assets	**4,338.3**	**4,271.9**	**3,878.1**	**3,826.8**

Compared to the previous year, in 2016, the positive evolution of the Group's assets (+460 RON million) is mainly due to the increase in the volume of EximBank *loans* (+318 RON million), a positive dynamics being recorded also for *securities* (+95 RON million) and *due from banks* (+64 RON million).

The gross value of the Bank's ***loan portfolio to non-bank corporations*** (2,286 RON million), up by 359 RON million (+ 19%) as compared to the previous year, consists mostly of loans denominated in local currency (82%).

At the end of 2016, 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)	2016		2015	
	GROUP	BANK	GROUP	BANK
Due to banks	497.7	497.7	14.5	14.5
Deposits from Ministry of Public Finance	1,702.2	1,702.2	1,674.9	1,674.9
Due to customers	962.9	962.9	970.3	976.4
Other liabilities	127.8	48.0	125.4	55.7
Total liabilities	**3,290.6**	**3,210.9**	**2,785.1**	**2,721.4**
Share capital	1,701.5	1,701.5	1,701.5	1,701.5
Retained earnings, not distributed	-8.7	5.2	26.2	39.4
Retained earnings, adjustment for inflation	-900.7	-900.7	-900.7	-900.7
Reserves	255.1	255.0	265.3	265.2
Total equity attributable to: Equity holders of the Parent company	1,047.2	1,061.0	1,092.3	1,105.4
Non – controlling interests	0.5	0.0	0.7	0.0
Non – controlling interests	**1,047.7**	**1,061.0**	**1,093.0**	**1,105.4**
Total liabilities and equity	**4,338.3**	**4,271.9**	**3,878.1**	**3,826.8**

The financing of the Group's assets growth is achieved by increasing by RON 483 million the amounts due to banks, in the context of maintaining similar deposits of non-bank clients and the positive change of state funds placed at EximBank.

Customers' deposits and current accounts, of RON 963 million, are mainly denominated in RON (86%), term deposits representing 70%.

The deposits from Ministry of Public Finance increased by RON 27 million compared to the beginning of the year. The variation is the combined effect of the following movements:

- Positive evolution of RON 58 million from interest, commissions and other amounts received from EximBank;
- Plus of RON 28 million from recoveries from enforced receivables;
- Decrease of RON 67 million from enforced guarantees;
- Net increase of RON 9 million from payments / reimbursements related to the products;
- Decrease of RON 1 million from accrued interest.

The Group's ***equity*** amounts to 1,047.2 RON million at the end of the reporting year, of which the amount attributable to shareholders of the parent company is 1,047.1 RON million (2015: 1,092.3 RON million) and the non-controlling interest is 0.5 RON million (2015: 0.7 RON million). Compared to the previous year, equity decreases by 45.4 RON million, the variation having the following breakdown: RON -39.2 million distribution of dividends, RON +4.2 million profit of the year, RON -10.9 million AFS revaluation and RON +0.5 million Revaluation of buildings and land.

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

CONTINGENT LIABILITIES/COMMITMENTS (RONM)	2016		2015	
	GROUP	BANK	GROUP	BANK
Letters of guarantee issued to customers	452.3	452.3	329.9	329.9
Letters of guarantee issued to banks	0.3	0.3	17.3	17.3
Undrawn loans commitments	607.7	607.7	345.0	345.0
Letters of credit	0.1	0.1	10.2	10.2
Contingent liabilities/commitments	**1,060.4**	**1,060.4**	**702.3**	**702.3**

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

The net consolidated profit of 2016 is RON 4.3 million (2015: RON 54.7 million), comprising the Bank's profit in the amount of RON 5.3 million (2015: RON 41.8 million), the elimination for consolidation of the provision depreciation of the investments in subsidiaries amounting RON 13.7 million and the loss (IFRS) of RON 14.6 million (2015: RON -0.8 million) of the subsidiary, EximAsig. In 2016, the bank obtains a net operating income of RON 174.8 million, down by RON 2.6 million compared to the previous year, mainly due to the decrease of the market reference rates (averages: ROBOR 3M 2016: 0.8%, 2015: 1.3%). Their evolution has a negative impact on net income from interest and commissions, taking into account the bank's financing structure (with a large weight of equity) and the way of remuneration of the operations in mandate. At group level, the net operating income decreases by RON 12 million, the decrease of the result from insurance operations being added to the impact of the mentioned reference rates. The separate net result before depreciation in amount of RON 81.9 million increased by RON 4.9 million, the bank making all efforts to reduce the operational costs in order to partially offset the negative effects deriving from market factors and from increasing the cost of risk. At consolidated level the net result before depreciation amounted to RON 67.7 million, compared to RON 79.4 million in the previous year.

Dinamica rezultatelor financiare ale Băncii și a celor consolidate se prezintă astfel:

STATEMENT OF PROFIT OR LOSS (RONM)	2016		2015	
	GROUP	BANK	GROUP	BANK
Net interest income	105.1	104.4	110.5	109.7
Net fee and commission income	23.7	23.8	29.3	29.4
Net income from insurance activities	0.3	0	10.8	0
Net gain/(loss) from foreign exchange differences	9.1	9.2	8.6	8.6
Net gain/(loss) from derivatives	3.3	3.3	-0.1	-0.1
Net gain on available for sale financial assets	26.3	26.3	21.8	21.8
Gain/(loss) on investment property	1.9	1.9	-0.1	-0.1
Other income	8.1	6	8.8	8
Net operating income	**177.7**	**174.8**	**189.7**	**177.4**
Salaries and other similar expenses	-66.1	-60.7	-72.2	-67.1
Depreciation and amortization	-8	-7.9	-8.8	-7.9
Other operating expenses	-35.6	-24.4	-29.3	-25.4
Operational expenses	**-110**	**-92.9**	**-110.3**	**-100.4**
Net result before depreciation	**67.7**	**81.9**	**79.4**	**76.9**
Gain/(loss) on impairment	-63.9	-77.1	-17.2	-27.6
Gross profit before tax	**3.7**	**4.7**	**62.2**	**49.3**
Income tax	0.5	0.5	-7.5	-7.5
Net profit	**4.3**	**5.3**	**54.7**	**41.8**

The negative evolution of the Group's net result from the previous year is explained exclusively by the evolution of the cost of risk (RON -63.9 million), higher than the previous year by RON 46.8 million as a result of the increase of the depreciation adjustments at the bank level, especially due to the subsequent events occurred after the balance sheet date. Net interest income (RON 105.1 million) declines at the Group level by RON 5.5 million due to the decrease of the reference rates, of lending margins, as well as the returns on securities. The Group's decrease in net commission income (RON -5.6 million) is caused by the decrease in the bank's revenues from operations in mandate on Behalf and to the Benefit of the State (RON -6.5 million), partially compensated by the higher results from commercial banking operations (RON +0.9 million). The net insurance income generated by EximAsig (RON 0.3 million) decreases in 2016 by RON 10.4 million. Gains on exchange rate differences, derivatives and available-for-sale financial instruments show a positive change of RON 10.2 million. In addition, the bank also earns an additional gain of RON 2.0 million from the revaluation of land and buildings. Regarding operational costs, the Group is constantly making efforts to increase efficiency. In 2016, the expenditures decrease by RON 0.7 million, the decrease by RON 7.5 million lei of the Bank's operating expenses being counterbalanced by the increase of EximAsig operational expenditures by RON 6.8 million (of which expenditures on receivables recovering in the amount of RON 6.3 million).

05

CAPITAL ADEQUACY AND MAIN FINANCIAL INDICATORS DYNAMICS

The **Bank's** capital adequacy indicator on 31.12.2016, calculated in accordance with Regulation 575/2013, indicates a solid solvency ratio of 48.3%.

The evolution of the main performance indicators of the Group/Bank during the year 2016 is presented below compared to the previous year and the average of the system:

INDICATORS	2016			2015	
	GROUP	BANK	SYSTEM	GROUP	BANK
ROA (%)	0.1%	0.1%	1.1%	1.4%	1.1%
ROE (%)	0.4%	0.5%	10.7%	5.0%	3.7%
Operating expenses/Operating income	61.9%	53.2%	53.0%	58.1%	56.5%
Immediat liquidity	--	57.0%	--	--	66.0%
Capital ratio	--	48.3%	18.3%	--	61.2%
Market share – assets	--	1.2%[2]	--[3]	--	1.0%
Market share – corporate loans	--	2.0%	--	--	1.6%
NPL ratio – non-financial companies	--	19.8%	19.3%[3]	--	13.3%

[3] *2016 September*

06 CORPORATE GOVERNANCE

VI.1. EXPORT-IMPORT BANK OF ROMANIA – EXIMBANK SA

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 2016, the Board of Directors in 2016 was formed as follows:

- Vasile Secăres - Chairman of the Board of Directors
- Traian Sorin Halalai – Member
- Paul Ichim - Member
- Florian Raimund Kubinschi - Member;
- Adrian Mişu Manolache - Non-executive member (until 30.03.2016, currently vacant)
- Emilian Bădică - Non-executive member
- Nina Puiu - Independent non-executive member

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 (CA). The Executive Committee comprises three members: the executive president and two executive vice-presidents.

The composition of the Executive Committee in 2016 is as follows:

- Traian Sorin Halalai - Executive President
- Paul Ichim - Executive Vice-president
- Florian Raimund Kubinschi - Executive Vice-president appointed by General Shareholders Meeting on March 30, 2016 and endorsed by National Bank of Romania on 07.07.2016.

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. EXIM ROMANIA INSURANCE – REINSURANCE COMPANY SA

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

- Traian Sorin Halalai - President;
- Paul Ichim - Member;
- Tudor Baltă - member (07.01.2016, terminated by the term of the mandate contract)

The Directorate provides the executive management of EximAsig based on the delegation and under the control of the Supervisory Board. The Directorate is composed of three members appointed by mandate for a period of 4 years. The composition of the Executive Board in 2016 was as follows:

- Andrei Răzvan Micu - President;
- Dan Dobrea - Member;
- Ionuț Losonti Boncea - Member.

07 HUMAN RESOURCES

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 Steering Committee For middle-level and executives.

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

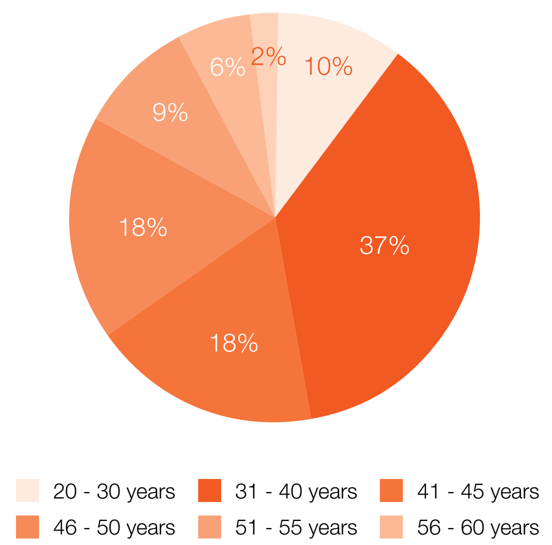
The Bank applies a flexible policy that can considerably reduce or even cancel the payment of the variable component in case of low or negative financial performance, including malus or clawback agreements.

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 20 territorial units at the end of 2016. At 31.12.2016, the Bank had a total of 348 employees, of which 341 were indefinite and 7 were hired for a determinated period; in terms of location, 274 employees operate in the Head Office (including executive management of the Bank) while 74 employees in territorial units. At the end of the year, out of a total of 348 employees, 62.25% were women. Higher education employees account for 95% of the total.

The situation of the Bank's staff on 31.12.2016 by age groups and studies is as follows:

STRUCTURE BY AGE GROUP



As far as the EximAsig subsidiary is concerned, it had on 31 December 2016 34 employees, compared to 36 employees at the end of 2015, as a result of the processes of streamlining the activities within EximAsig's internal structures in order to fulfill the assumed objectives for the current and future period.

08 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).

In the second half of 2016 the trading portfolio activity was initiated, monitoring the total volume limits PVBP (Present Value of a Basis Point) and S/L (Stop/Loss) daily.

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.

09 INTERNAL CONTROL SYSTEM

The Bank develops and maintains a robust, comprehensive framework for its internal controls, 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.

10 STRATEGY AND PRIORITIES

EximBank has consistently acted to strengthen its presence on the market of financial solutions providers for corporate clients, while strategic priorities have focused on the strategic framework set by the Government, which established the coordinates and macroeconomic objectives, while providing opportunities for all institutions involved to participate in the effort to stimulate national economic growth.

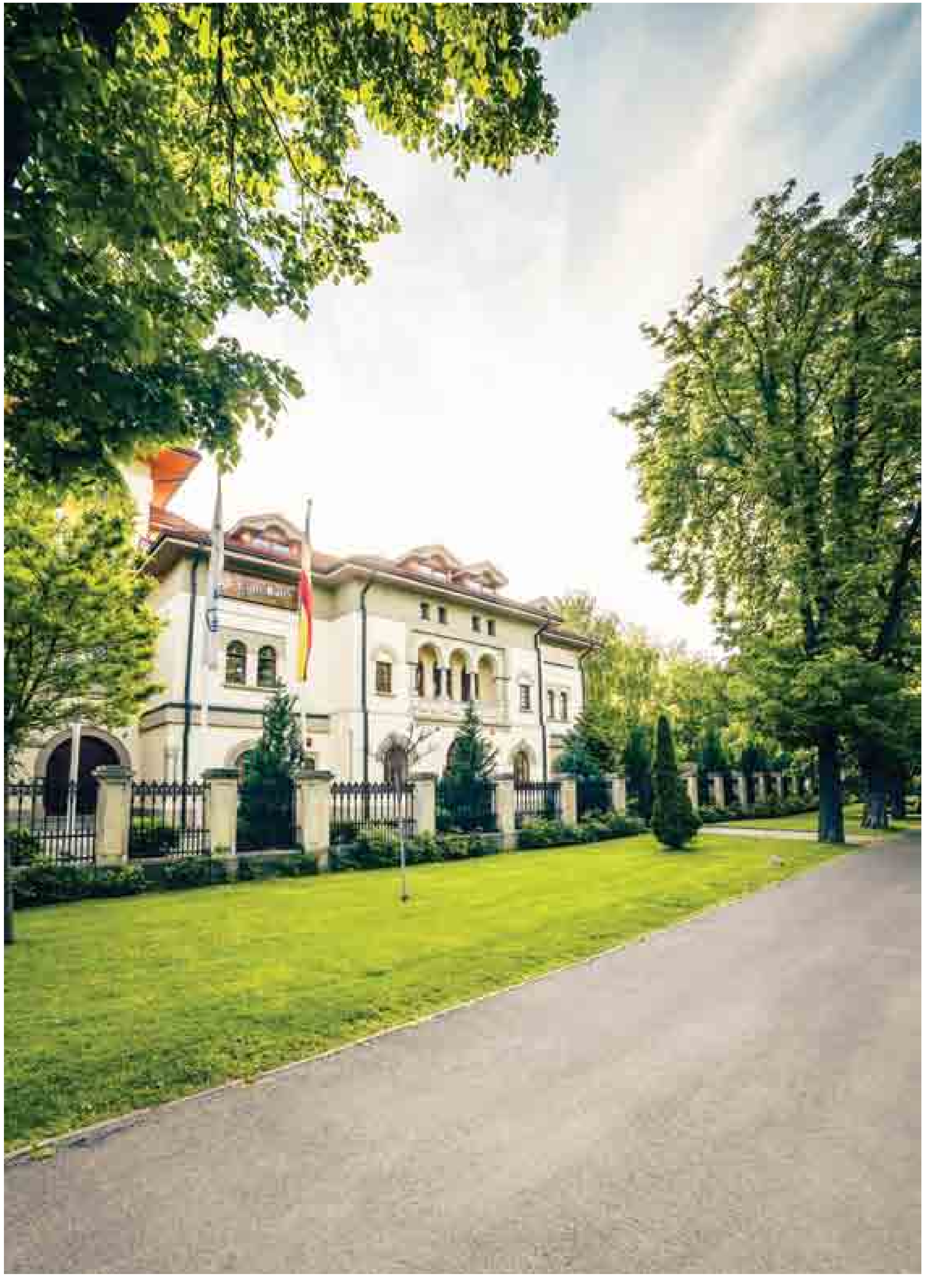
As for 2017, considering the Romanian banking system trend of consolidation and increased operational efficiency, EximBank will concentrate its efforts on stirring up its commercial activity through an accelerated use of specific features and available resources.

In this respect, EximBank intends to continue the organic growth, establishing concrete, quantitative and qualitative indicators:

- continuing to increase the market share on the corporate segment;
- increasing credit exposure while increasing the quality of the portfolio; in this respect, it is considered the reduction of the concentration in large customer exposures as well as to track and limit the exposure of the *Watch List* customers;
- significant increase in client portfolio;
- increase of the weight and volume of revenues from operations complementing the lending activity (treasury and cash management products and services);
- strengthening and revitalizing partnerships with commercial banks by offering specialist advice to include BBS products in the structure of their own transactions;
- Clear, quality products, specific, rapid, fluid, predictable, flow-through approval flows under controlled risk conditions and fair price; dedicated products, products granted based on decision grids, cross selling;
- direct and easy customer access to information on bank products in general and the management of their own facilities, in particular by email, the online banking platform or EximBank's site, full support services, specialized meetings, subject to a communication plan;
- rigorous control of the costs and resources allocated so that the development of the activity is doubled by its eficiency.

EximAsig has established for 2017:

- development of new products to secure commercial claims (umbrella policies, discretionary policies) and increase portfolio efficiency through profitability analyzes for each product;
- cultivating partnerships with public and local government structures, with professional associations in the field of construction; developing sales channels in online environment; Bancassurance in partnership with prestigious commercial banks (including EximBank, CEC Bank);
- an assessment of the opportunity to externalize some company activities in order to decrease administrative expenses.



11

EXPORT-IMPORT BANK OF ROMANIA

EXIMBANK SA

SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2016

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

CONTENTS

EXPORT - IMPORT BANK OF ROMANIA – EXIMBANK SA
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT for the financial exercise closed as at 31st december 2016
(all amounts are expressed in thousand RON (“RON’000”), unless otherwise specified)

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 2016, and confirm that:

a) The accounting policies used in the preparation of the separate and consolidated financial statements as at 31 December 2015 are in accordance with the International Financial Reporting Standards as endorsed by Europeam Union as at 31 December 2015 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 2015 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

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Independent Auditors' Report
(free translation[1])

To the shareholders of
Banca de Export Import a Romaniei - EximBank S.A.

Opinion

1. We have audited the accompanying consolidated and separate financial statements of Banca de Export Import a Romaniei - EximBank S.A. ("the Bank") and of its subsidiary, Compania de Asigurari - Reasigurari Exim Romania S.A. („the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2016, 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 notes (referred to as "financial statements").

2. In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2016 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

3. We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards 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 Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[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 version of the financial statements

CF

Other Information - Administrators' Report

4. The Other information comprises the Administrators' Report. The Administrators are responsible for the preparation and presentation of the Administrators' Report in accordance with the Order No. 27/2010, articles no. 11 – 14, and respectively 37(1-2) of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions and for such internal control as Administrators determine is necessary to enable the preparation and presentation of Administrators' Report that is free from material misstatement, whether due to fraud or error.

   The Administrators 'Report presented from page 1 to 29 is not part of the financial statements.

   Our opinion on the financial statements does not refer to the Administrators Report.

   In connection with our audit of the financial statements as at and for the year ended 31 December 2016, our responsibility is to read the Administrators' Report attached to the financial statements and, in doing so, consider whether there is a material inconsistency between the Administrators' Report and the financial statements, whether the Administrators' Report includes, in all material respects, the information required by Order No. 27/2010, articles no. 11 – 14, and respectively 37(1-2) of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions and whether, based on our knowledge and understanding of the Group and the Bank obtained during our audit of the financial statements, the information included in the Administrators' Report is materially misstated. We are required to report in respect of these matters. Based on the work performed we report that:

   a) In the Administrators' Report we have not identified information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements;

   b) The Administrators' Report identified above include, in all material respects, the information required by Order No. 27/2010 and related amendments, articles no. 11 – 14, and respectively 37(1-2) of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

   In addition, based on our knowledge and understanding of the Group and Bank and their environment acquired during our audit of the consolidated financial statements as at and for the year ended 31 December 2016, we have not identified information included in the Administrators' Report that contains a material error.

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

5. Management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

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6. 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 or the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

8. 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 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.

9. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 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 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.

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- 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.

10. 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.

Other Matters

11. This 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 this report or for the opinion we have formed.

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

Furtuna Cezar-Gabriel

Refer to the original signed Romanian version	Refer to the original signed Romanian version
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, 4 April 2017

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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-16			31-DEC-15	
		GROUP	BANK		GROUP	BANK
Interest income	3	129,036	128,332		147,717	146,887
Interest expense	4	-23,953	-23,977		-37,171	-37,165
Net interest income		**105,083**	**104,355**		**110,546**	**109,722**
Fee and commission income		25,543	25,543		30,195	30,195
Fee and commission expense		-1,812	-1,778		-873	-837
Net fee and commission income	**8**	**23,731**	**23,765**		**29,322**	**29,358**
Gross written premium, net of reinsurance		6,641	-		5,608	-
Gross written premium income		11,625	-		18,039	-
Premiums ceded to reinsurance		-4,983	-		-12,431	-
Variation of technical reserves, net of reinsurance		-9,795	-		6,396	-
Acquisition and other underwriting expenses		-2,441	-		-689	-
Other technical expenses, net of reinsurance		5,913	-		-557	-
Claims related to insurance contracts		-12,866	-		-4,087	-
Claims ceded to reinsurance		18,779	-		3,530	-
Net income from insurance activities	**9**	**319**	**-**		**10,758**	**-**
Net gain/(loss) from foreign exchange differences	**6**	9,058	9,202		8,615	8,630
Net gain/(loss) from derivatives	**6**	3,274	3,274		-74	-74
Net gain on available for sale financial assets	**7**	26,275	26,275		21,826	21,826
Gain/(loss) on investment property	**20**	1,869	1,869		-115	-115
Other income	**10**	8,050	6,035		8,783	8,027
Net operating income		**177,659**	**174,775**		**189,311**	**177,024**
Salaries and other similar expenses	**11**	-66,051	-60,689		-72,153	-67,118
Depreciation and amortization	**19**	-7,952	-7,855		-8,790	-7,861
Other operating expenses	**12**	**-35,968**	**-24,358**		**-29,346**	**-25.445**
Gain/(loss) on impairment of financial assets, commitments and guarantees	**5**	-63,945	-77,144		-17,152	-27,645
Gross profit before tax		**3,743**	**4,729**		**62,220**	**49,305**
Income tax	**13**	544	544		-7,495	-7,495
Net profit		**4,287**	**5,273**		**54,725**	**41,810**

The financial statements were approved by the Board of Directors on 3 April 2017.

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

	31-DEC-16		31-DEC-15	
	GROUP	BANK	GROUP	BANK
Net profit for the period	**4,287**	**5,273**	**54,725**	**41,810**
Other comprehensive income, net of tax	**-10,436**	**-10,436**	**-29,396**	**-29,396**
Items that may be reclassified to profit or loss	-10,964	-10,964	-29,217	-29,217
Net gain from the revaluation of available for sale financial assets	-13,052	-13,052	-34,782	-34,782
Deferred tax on the revaluation of available for sale financial assets	2,088	2,088	5,565	5,565
Items that will never be reclassified to profit or loss	**526**	**526**	**-179**	**-179**
Revaluation surplus	626	626	-213	-213
Deferred tax on revaluation surplus	-100	-100	34	34
Other items	**2**	**2**	**-**	**-**
Total comprehensive income for the period	**-6,149**	**-5,163**	**25,329**	**12,414**
Profit attributable to:	**4,287**	**-**	**54,725**	**-**
Equity holders of the Parent company	4,718	-	54,773	-
Non – controlling interests	-431	-	-48	-
Total comprehensive income attributable to:	**-6,149**	**-**	**25,329**	**-**
Equity holders of the Parent company	-5,718	-	25,377	-
Non – controlling interests	-431	-	-48	-

The financial statements were approved by the Board of Directors on 3 April 2017.

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

III. CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

ASSETS	NOTA	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
		GROUP	BANK	GROUP	BANK
Cash and cash equivalents		554	528	403	391
Derivative financial instruments	16	1,366	1,366	31	31
Accounts with the National Bank Romania	14	80,792	80,792	105,029	105,029
Due from banks	15	117,804	88,843	53,891	35,653
Loans and advances to customers, net	17	2,159,979	2,159,979	1,842,319	1,842,319
Investments in subsidiaries	18	-	29,432	-	23,073
Trading financial instruments	18	17,582	17,582	-	-
Available for sale financial instruments	18	1,810,507	1,810,507	1,628,607	1,628,607
Held to maturity financial instruments	18	15,666	-	119,734	114,025
Property, plant and equipment, net	19	14,200	14,080	18,044	17,832
Intangible assets, net	19	5,945	5,940	6,472	6,463
Investment property, net	20	39,269	39,269	35,176	35,176
Other assets	21	74,206	23,572	68,384	18,181
Total assets		**4,338,260**	**4,271,890**	**3,878,090**	**3,826,780**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Derivative financial instruments	16	1,941	1,941	2,148	2,148
Due to banks	22	497,717	497,717	14,518	14,518
Deposits from Public Ministry of Finance	23	1,702,187	1,702,187	1,674,859	1,674,859
Due to customers	25	962,939	962,940	970,335	976,374
Deferred income and accrued expenses	29	11,962	11,944	14,059	14,055
Provisions	26	21,550	17,214	23,369	17,172
Other liabilities	27	91,545	16,173	83,176	19,646
Deferred tax liability	13	758	758	2,632	2,632
Total liabilities		**3,290,599**	**3,210,874**	**2,785,096**	**2,721,404**
Share capital	30	1,701,474	1,701,474	1,701,474	1,701,474
Retained earnings, not distributed	32	(8,715)	5,243	26,230	39,402
Retained earnings, adjustment for inflation of share capital under IAS 29	32	(900,714)	(900,714)	(900,714)	(900,714)
Reserves	33	225,390	225,261	225,149	225,024
Revaluation reserve	33	25,661	25,661	25,135	25,135
Reserves from available for sale assets	34	4,091	4,091	15,055	15,055
Total equity attributable to: Equity holders of the Parent company		**1,047,187**	**1,061,016**	**1,092,329**	**1,105,376**
Non – controlling interests		**474**	**-**	**665**	**-**
Total equity		**1,047,661**	**1,061,016**	**1,092,994**	**1,105,376**
Total liabilities and equity		**4,338,260**	**4,271,890**	**3,878,090**	**3,826,780**

The financial statements were approved by the Board of Directors on 3 April 2017.

EXPORT - IMPORT BANK OF ROMANIA – EXIMBANK SA
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT for the financial exercise closed as at 31st december 2016
(all amounts are expressed in thousand RON (“RON’000”), unless otherwise specified)

IV. CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

GROUP – 2015	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 2015	**1,701,474**	**25,314**	**44,272**	**182,655**	**-900,714**	**13,951**	**1,066,952**	**713**	**1,067,665**
Reserves from available-for sale assets	-	-	-29,217	-	-	-	-29,217	-	-29,217
Revaluation of land/ buildings	-	-179	-	-1	-	1	-179	-	-179
Other movements in retained earnings	-	-	-	39,882	-	-39,882	-	-	-
Profit for the year	-	-	-	2,613	-	52,160	54,773	-48	54,725
Comprehensive income – subtotal	**-**	**-179**	**-29,217**	**42,494**	**-**	**12,279**	**25,377**	**-48**	**25,329**
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2015	**1,701,474**	**25,135**	**15,055**	**225,149**	**-900,714**	**26,230**	**1,092,329**	**665**	**1,092,994**

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**

EXPORT - IMPORT BANK OF ROMANIA – EXIMBANK SA
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT for the financial exercise closed as at 31st december 2016
(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

BANK - 2015	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 2015	**1,701,474**	**25,314**	**44,272**	**182,530**	**-900,714**	**40,086**	**1,092,962**
Reserves from available-for sale assets	-	-	-29,217	-	-	-	-29,217
Revaluation of land/buildings	-	-179	-	-1	-	1	-179
Other movements in retained earnings	-	-	-	39,882	-	-39,882	-
Profit for the year	-	-	-	2,613	-	39,197	41,810
Comprehensive income – subtotal	**-**	**-179**	**-29,217**	**42,494**	**-**	**-684**	**12,414**
Dividends paid to shareholders	-	-	-	-	-	-	-
Balance as at 31 December 2015	**1,701,474**	**25,135**	**15,055**	**225,024**	**-900,714**	**39,402**	**1,105,376**

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**

The financial statements were approved by the Board of Directors on 3 April 2017.

V. CONSOLIDATED AND SEPARATE CASHFLOW STATEMENT

	NOTA	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
		GROUP	BANK	GROUP	BANK
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before tax		3,743	4,729	62,220	49,305
Adjustments for:		**79,750**	**92,852**	**-34,240**	**-24,693**
Depreciation and amortization	19	7,952	7,855	8,790	7,862
Net impairment allowances for financial assets and guatnatees granted	5	79,520	93,148	27,810	41,501
Other provisions		-5,227	-5,656	5,006	1,808
Financial assets		0	0	-76,249	-76,266
Other non-cash adjustments		-2,496	-2,496	401	402
Change in operating assets		**-408,349**	**-405,283**	**-177,060**	**-180,563**
Decrease/(increase) in loans and advances to customers		-391,482	-391,482	-185,202	-185,202
Decrease/(increase) in trading assets		-19,124	-19,124	-	-
Decrease/(increase) in other assets		2,212	5,323	8,142	4,639
Change in operating liabilities		**509,715**	**497,860**	**-86,987**	**-67,034**
(Decrease)/increase in due to banks		483,199	483,199	-474,315	-474,315
(Decrease)/increase in due to customers		-13,434	-13,434	324,218	329,152
(Decrease)/increase in other liabilities		39,949	28,094	63,110	78,129
Income tax paid		**-16,848**	**-16,848**	**-1,105**	**-1,105**
Net cash flows used in operating activities		**167,966**	**173,310**	**-237,172**	**-224,090**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of investment securities		-2,248,938	-2,238,981	-1,390,037	-1,390,037
Proceeds from sale and buy back of investment securities		2,158,473	2,158,473	1,261,568	1,261,568
Cash paid for share capital increase of the subsidiary	18	13	-19,987	-	-
Acquisition of property, plant and equipment and intangible assets		-5,031	-5,031	-6,590	-6,582
Proceeds from the sale of property, plant and equipment and intangible assets		61	61	-	-
Dividends cashed in	10	443	443	2,081	2,081
Net cash flows used in investing activities		**-94,980**	**-105,023**	**-132,978**	**-132,970**
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		-39,197	-39,197	-	-
Net cash flows used in financing activities		**-39,197**	**-39,197**	**-**	**-**
Change in cash and cash equivalents		**33,789**	**29,090**	**-370,150**	**-357,060**
Balance at the beginning of the period		165,361	141,073	529,473	498,133
Balance at the end of the period		**199,150**	**170,163**	**159,323**	**141,073**
Cash and cash equivalents		**199,150**	**170,163**	**159,323**	**141,073**
Cash		554	528	403	391
Accounts with the National Bank of Romania	14	80,792	80,792	105,029	105,029
Due from banks – maturity less than 3 months	15	117,804	88,843	53,891	35,653
ADDITIONAL INFORMATION:					
Interest received		183,007	182,303	176,198	175,368
Interest paid		26,272	26,248	37,198	37,204

The financial statements were approved by the Board of Directors on 3 April 2017.

VI. 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 with the Commerce Register under number J40/8799/1992. At 31 December 2015, the Bank has branches in Bucharest and 19 branches throughout the country located in 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, 2016 97.05% of its share capital, respectively 93.78% at December 31, 2015.

The consolidated and separate financial statements of the Bank, respectively of the Group, for the year ended 31 December 2016 were authorized by the Board of Directors on 3 April 2017.

The Group had 382 employees at 31 December 2016 (of which 348 are employees of the Bank and respectively 34 are employees of EximAsig), whereas at 31 December 2015 the Group had 375 employees (of which 339 were Bank's employees and respectively 36 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 2016, 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 2016.

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 HYPERINFLATION

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.

STANDARDS AND INTERPRETATIONS NOT YET IMPLEMENTED

A. The following new standards, interpretations and modifications have not yet entered into force for annual financial reporting period ended as at 31st of December 2016 and they have not been applied in the preparation of these financial statements:

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

This standard replaces the IAS39 „Financial instruments: recognition and measurement" provisions, regarding the classification and measurement of financial assets. The Bank/Group has scheduled the implementation effectively starting with 1st of January 2018.

IFRS 9 implementation impact on Bank/Group financial statements:

The impact of IFRS 9 implementation in the financial statements for financial year 2018 could not be aseessed at this moment, since the Bank/Group currently examines its drafts of methodologies and processes for classification, measurement and impairment according to IFRS 9.

IFRS 9 encompasses a new approach for classification and measurement of the financial assets aligned with the business model of the Bank whose objective is the assets management and the collection of contractual cash flows.

The preliminary impact regarding the classification and measurement of the financial instruments as at December 31, 2016 can be different than the assessment for the financial statements starting with January 1, 2018, due to the fact that IFRS 9 requires the business model analysis based on the conditions in place at the implementation date, respectively January 1, 2018.

IFRS 9 allows the classification of the financial assets in 3 categories: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL)

Based on its preliminary analysis, the Bank/Group has assessed if all its financial assets classified as loans and receivables in accordance with IAS 39, continue to be measured at amortized cost under IFRS 9 as this assets are held primarily for collecting the contractual cash flows while their contractual terms include solely payments of principal and interest at specific dates.

The Bank/Group has not yet identified the impact from securities classification into IFRS 9 categories - FVTPL, FVOCI or amortized cost, that is driven by the business model testing. It is expected that a significant part of fixed income securities are reclassified in or outside the FVOCI category, as required by the IFRS9 standard. At this stage, the bank has not yet finalized the business model analysis for its securities portfolio.

The impairment model of IFRS 9 replaces the incurred loss model iof IAS 39 with an expected credit loss (ECL) model.

According to IFRS 9 the Bank/Group will recognize the ECL impairment loss for the lifetime of the financial instruments, except for: securities with low credit risk at the reporting date and other financial instruments whose credit risk did not increase significantly since origination.

At this moment, the Bank/Group has initiated standard implementation project (the project plan was approved by the Executive Committe), and the Bank/Group is in progress with the analysis and models design.

- **IFRS 15 Revenue from contracts with customers** (Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.)

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 Bank/Group does not expect any significant impact on its financial statements, under the new standard, at the moment of its first adoption.

- **IFRS 16 Leases** (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

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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 shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained.

- **Amendments to IFRS 2:** Classification and Measurement of Share-based Payment Transactions (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively. Early application is permitted)

The amendments clarify share-based payment accounting on the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations;
- and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

The Bank/Group does not expect any significant impact on its financial statements, after the ammendments of this standard come into force, since no share based payments are envisaged.

- **Amendments to IFRS 10 and IAS 28:** Sale or contribution of assets between an investor and its associate or joint venture (The effective date has not yet been determined by the IASB, however earlier adoption is permitted.).

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Bank/Group does not expect any significant impact on its financial statements, arising from the first utilization of these ammendments in its financial statement disclosures.

- **Amendments to IFRS 4:** Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Effective for annual periods beginning on or after 1 January 2021; to be applied prospectively)

The amendments address that concerns arising from implementing of 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.

The Bank/Group, performing its role on insurance market, does not intend to apply the exemption given by IFRS 9, since no significant impact on the financial statements of its insurance subsidiary is expected.

- **Amendments to IAS 7** (Effective for annual periods beginning on or after 1 January 2017, to be applied prospectively. Early application is permitted)

The amendments require new disclosures that help users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as the effect of foreign exchange gains or losses, changes arising for obtaining or losing control of subsidiaries, changes in fair value).

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

- **Amendments to IAS 12:** Recognition of Deferred Tax Assets for Unrealised Losses (Effective for annual periods beginning on or after 1 January 2017; to be applied prospectively. Early application is permitted).

The amendments clarify how and when to account for deferred tax assets in certain situations and clarify how future taxable income should be determined for the purposes of assessing the recognition of deferred tax assets.

The Bank/Group does not expect any significant impact on its financial statements, arising from the first utilization of these ammendments, as the Group already computes its deferred taxation according to the above mentioned ammendments.

- **Amendments to IAS 40 Transfers of Investment Propert** (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively

The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 Investment Property to specify that such a transfer should only be made when there has been a change in use of the property. Based on the amendments a transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

The Bank/Group does not expect any significant impact on its financial statements, arising from these amendments, since a freehold property is transferred to or from the investment properties category only if it is observed a real change in the utilization of the asset.

- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** (Effective for annual periods beginning on or after 1 January 2018)).

The Interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Bank/Group does not expect any significant impact on its financial statements, further to ammendments of this standard, since at initial recognition date when a non financial asset or liability results from advance incoming or outgoing payment of a service renderred, the Group uses the FX rate valid on that date.

B. Annual improvements

Annual improvements to IFRSs 2014-2016 cycle were issued on 8 December 2016 and introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. The amendments on IFRS 12 Disclosure of Interest in Other Entities are effective for annual periods beginning on or after 1 January 2017 and amendments on IAS 28 Investments in Associates and Joint Ventures are effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively. Earlier application is permitted.

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 2016, and 31 December 2015 respectively, the exchange rates of the main foreign currencies were:

1 EUR = 4.5411 RON (December 31, 2015: 1 EUR = 4.5425 RON).

1 USD = 4.3033 RON (December 31, 2015: 1 USD = 4.1477 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 re-measured 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:

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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 2016 and 2015 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. DETERMINATION OF FAIR VALUE

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.

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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 from 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 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 provision 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.

The Bank/Group takes into account the fair value of guarantees and collaterals estimated by management in order to arrive at the recoverable amount, however any change in economic circumstances can affect the estimates and the amounts which will eventually be recovered when collaterals are realized.

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.

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 carried 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.

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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 obligation 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 AND EQUIPMENT

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;

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

c) Office improvements;

d) Technical equipment and 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.

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
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%

For tangible assets under the category of "Buildings", the bank uses the revaluation model, while for all the other types of tangible assets, including "Furnishing of rented spaces", the bank uses a cost-based model. If an asset is revalued, all assets in that category are also revalued, except for the case when there is no active market for the respective asset.

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 never to be sold during ordinary course of business, to be used in the banking 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.

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.

An investment property is derecognized when disposed of or when the investment property is permanently retired of and can no longer provide future economic benefits from its withdrawal.

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

Aiming to fulfill the strategic objective of 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 the Romanian tax law, 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 2016 was 16% (31 December 2015: 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) 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, from collecting risk perspective for reinsurace recievables with aging more than 365 days. 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 derived 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 enoungh 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 derrived as the average of the relevant expenses at total insurance portfolio level (excluding deferred acqusition expenses)

The liabilities adequacy test as at Decmber 31, 2016 revealed a total deficiency amounting to 1,711 thousand lei (December 31st, 2015: 508 thousand lei).

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.

■ **Correction of errors related to previous years**

During 2016, the subsidiary EximAsig recorded receivables for an insurance policy concluded in 2014 (amounting to around RON 4 million), which was fully provisionned. The accounting records were performed through retained earnings, with no impact in the result of the year. The error correction is disclosed in note 21.

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.

03. INTEREST INCOME

	31-DEC-16 GROUP	31-DEC-16 BANK	31-DEC-15 GROUP	31-DEC-15 BANK
Interest income related to:				
Loans to customers	72,352	72,352	84,750	84,750
Current accounts and deposits with banks	892	375	1,842	1,298
Negative interest on attracted deposits	113	113	-	-
Reverse repurchase agreements	208	208	852	852
Available for sale financial assets	52,708	52,708	52,161	52,161
Held-to-maturity investments	2,763	2,576	8,112	7,826
	129,036	**128,332**	**147,717**	**146,887**

The income related to impaired loans, both at Group and Bank level, amounted to RON 5,318 thousand in 2016, respectively RON 5,307 thousand in year 2015.

04. INTEREST EXPENSE

	31-DEC-16 GROUP	31-DEC-16 BANK	31-DEC-15 GROUP	31-DEC-15 BANK
Interest expense related to:				
Interest on deposits from MPF	15,136	15,136	26,266	26,266
Deposits from banks	1,785	1,785	1,237	1,237
Negative interest on deposits placed with banks	23	23	-	-
Customers deposits	7,009	7,033	9,668	9,662
	23,953	**23,977**	**37,171**	**37,165**

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.

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

	31-DEC-16 GROUP	31-DEC-16 BANK	31-DEC-15 GROUP	31-DEC-15 BANK
Gain/(Loss) from allowances for loans (see note 17)	**-73,823**	**-73,823**	**-24,011**	**-24,011**
Recoveries from loans written off	**15,365**	**15,365**	**14,195**	**14,195**
Provisions for sundry debtors charged in the current period (see note 21)	-3,232	-1,621	-3,514	-2,230
Provisions for sundry debtors released in the current period (see note 21)	3,102	1,883	3,088	1,804
Gain/(Loss) from sundry debtors provisions (see note 21)	**-130**	**262**	**-426**	**-426**
Recoveries related to sundry debtors written off	**377**	**377**	**87**	**87**
Provisions for financial guarantees charge	-8,285	-8,285	-3,798	-3,798
Provisions for financial guarantees released	2,588	2,588	-1	-1
Provisions for financial guarantees issued on behalf of customers (see note 26)	-5,697	-5,697	-3,799	-3,799
Allowance for the impairment of the investment in the subsidiary	**-**	**-13,628**	**-**	**-13,691**
Allowance for other provisions (see note 26)	**-37**	**-**	**-3,198**	**-**
	-63,945	**-77,144**	**-17,152**	**-27,645**

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

	31-DEC-16 GROUP	31-DEC-16 BANK	31-DEC-15 GROUP	31-DEC-15 BANK
Gains/(Losses) on exchange rate differences	**9,058**	**9,202**	**8,615**	**8,630**
Gains/(Losses) from interest rate derivatives	2,436	2,436	-	-
Gains/(Losses) from fx derivatives	785	785	-74	-74
Gains/(Losses) from trading financial instruments	53	53	-	-
Gains/(Losses) on derivative financial instruments	**3,274**	**3,274**	**-74**	**-74**

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 2016 the Group / Bank recorded a gain in amount of RON 26,275 thousand (2015: RON 21,826 thousand) from the disposal of available – for – sale financial assets, comprising government securities and bonds in RON and EUR.

08. NET FEE AND COMMISSION INCOME

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Commission income				
Commissions income from managing State funds	251	251	79	79
Commissions income from transactions with clients	4,658	4,658	3,309	3,309
Commissions mandate operations	17,061	17,061	23,555	23,555
Commision from state on mandate operations	4,540	4,540	7,880	7,880
Commissions income from activity as agent on behalf of the State	12,521	12,521	15,675	15,675
Commissions income from import letters of credit	140	140	204	204
Commissions income from banking transactions	373	373	374	374
Other commissions income	3,060	3,060	2,674	2,674
	25,543	**25,543**	**30,195**	**30,195**
Commission expense	**-1,812**	**-1,778**	**-873**	**-837**
Net fee and commission income	**23,731**	**23,765**	**29,322**	**29,358**

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

09. NET INCOME FROM INSURANCE ACTIVITIES

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Insurance net income				
Gross written premium income, net of reinsurance (a)	6,641	-	5,608	-
Gross written premium	11,625	-	18,039	-
Premiums ceded to reinsurance	-4,983	-	-12,431	-
Technical reserves variation expenses, net of reinsurance	-9,795	-	6,396	-
Acquisition and other underwriting expenses	-2,441	-	-689	-
Other technical expenses, net of reinsurance (b)	5,913	-	-557	-
Claims related to insurance contracts	-12,866	-	-4,087	-
Claims ceded to reinsurers	18,779	-	3,530	-
	319	**-**	**10,758**	**-**

EximAsig targets the insurance of financial risk, starting in 2016 the cooperation with EximBank and other banks in the Romanian market, as follows:

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(a) Income from gross written premiums include mainly premiums from insurance for loans and guarantees (main insurance policy is extended to cover commercial credit risk);

(b) Other technical charges, net of reinsurance, include mainly credit insurance damage.

10. OTHER INCOME

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Income from contractual penalties	928	928	1,617	1,617
Other income	2,422	407	1,261	505
Rental income	4,257	4,257	3,824	3,824
Dividends and similar income	443	443	2,081	2,081
	8,050	**6,035**	**8,783**	**8,027**

11. SALARIES AND SIMILAR EXPENSES

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Salaries expense	51,117	46,717	45,972	41,870
Provisions charge/ release, net	-7,596	-7,596	4,524	4,524
Total salaries expenses	**43,521**	**39,121**	**50,496**	**46,394**
Payments related to collaborators (i)	7,341	7,341	11,605	11,605
Provisions charge/ release, net	1,676	1,676	-2,225	-2,225
Total collaborators expenses	**9,017**	**9,017**	**9,380**	**9,380**
Layoff compensation payments	5	5	33	33
Provisions charge/ release, net	-	-	-	-
Total layoff expenses	**5**	**5**	**33**	**33**
Employer contribution related to salaries	**12,473**	**11,511**	**12,127**	**11,194**
Retirement severance expenses	65	65	42	42
Provisions charge/ release, net	266	266	-491	-491
Total retirement benefits	**331**	**331**	**-449**	**-449**
Other salary related expenses	**704**	**704**	**566**	**566**
Total salaries and similar expenses *)	**66,051**	**60,689**	**72,153**	**67,118**

*) The amount of RON 4 thousand related to year 2015 was reclassified from position **Other operating expenses** to position **Other salary related expenses.**

Details regarding the movement in provisions are presented below in note 25.

(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 ").

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12. OTHER OPERATING EXPENSES

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Taxes	1,034	1,026	1,266	1,199
Postal and telecommunication expenses	3,378	3,304	3,004	2,913
Maintenance expenses	4,776	4,618	3,842	3,734
Advertising, protocol and sponsorship expenses	3,166	3,095	3,247	3,129
Consumables	1,540	1436	1,596	1,513
Water and energy	693	693	769	769
Rent expenses	5,033	5,033	4,851	4851
Consulting services	1,308	657	1,717	493
Other services provided by third parties	2,952	1,952	4,066	2,534
Security expense	560	560	530	530
Expenses on commercial information	-	-	79	79
Expenses on Guarantee Fund	1,682	1,682	2,894	2,894
Other expenses *)	9,846	302	1,485	5807
	35,968	**24,358**	**29,346**	**25,445**

**) The amount of RON 9,846 thousand is related mainly to the insurance company EximAsig, representing impairment of receivables setbacked.*

13. INCOME TAX

The main components of income tax are:

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Current income tax	2,269	2,269	10,447	10,447
Deferred income tax	-2,813	-2,813	-2,952	-2,952
	-544	**-544**	**7,495**	**7,495**

The reconciliation between the tax expense and the accounting profit is the following:

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Profit before tax (A)	**3,743**	**4,729**	**62,220**	**49,305**
Tax rate: 16%	**599**	**757**	**9,955**	**7,889**
Tax effect of non-taxable income	-3,425	-2,941	-3,216	-3,120
Tax effect of non-deductible expenses	4,398	4,791	4,416	6,545
Tax effect - reserves distributions	-38	-38	-359	-359
Impact of tax losses carried forward	1,035	-	159	-
Tax profit before tax credit	**2,569**	**2,569**	**10,955**	**10,955**
Tax credit	-301	-301	-508	-508
Current profit tax	**2,268**	**2,268**	**10,447**	**10,447**
Effect of origination and reversal of temporary differences	-2,812	-2,812	-2,952	-2,952
Income tax recognized in profit and loss (B)	**-544**	**-544**	**7,495**	**7,495**
(+)= expense / (-) =income				
Effective tax rate (B/A%)	**-14.5%**	**-11.5%**	**12.0%**	**15.2%**

The differences between the fiscal regulations and accounting standards used in preparing these financial statements have given rise to temporary differences in the carrying amount of assets and liabilities, for which deferred tax is calculated.

BANK/GROUP*	STATEMENT OF FINANCIAL POSITION		STATEMENT OF PROFIT OR LOSS	
	2016	2015	2016	2015
Deferred tax (through profit or loss)				
Retirement benefits	188	145	42	-79
Other provision regarding employees	1,023	1,951	-928	840
Loan provisions	1,518	-	1,518	-
Impairment of investment in subsidiary	5,107	2,927	2,180	2,191
	7,836	**5,023**	**2,812**	**2,952**
Transfer to current income tax	2,927	-	-	-
	4,909	**5,023**	**2,812**	**2,952**
Deferred through equity				
Reevaluation reserve	-4,889	-4,788	-	-
Available-for-sale investments, fair value adjustment	-778	-2,867	-	-
Net deferred tax	**-758**	**-2,632**	**2,812**	**2,952**

**) 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 2016 and 2015, tax rate which is applicable since 1 January 2005.

The Bank/The Group did not compute deferred income tax for the statutory reserves established in accordance with Romanian Banking and Company Laws considering the applicable tax framework.

14. ACCOUNTS WITH THE NATIONAL BANK OF ROMANIA

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Current account in RON	57,098	57,098	81,514	81,514
Current account in foreign currency	23,694	23,694	23,515	23,515
Total	**80,792**	**80,792**	**105,029**	**105,029**

Current accounts in RON at the National Bank of Romania represent the minimum compulsory reserve. The balance at 31 December 2016 is lower than the prescribed minimum compulsory reserve level, but the Bank complies with the average values required for the duration, respectively RON 93,393 thousand for 24 December 2016 – 23 January 2017 and RON 96,032 thousand for 24 December 2015 – 23 January 2016.

Similarly, in case of current accounts in foreign currency which are part of the minimum compulsory reserve, the balance complies with the computed average level of EUR 3,941 thousand for the period 24 December 2016 – 23 January 2017. For the period 24 December 2015 -23 January 2016 calculated level of minimum reserve requirements was EUR 5,595 thousand.

The interest rate paid by National Bank of Romania in 2016 ranged between 0.10% and 0.14% for reserves held in RON (2015: between 0.14% and 0.27%), while for the reserves held in Euros the interest rate paid ranged between 0.05% and 0.09% (2015: between 0.09% and 0.27%).

As at 31 December 2016, the minimum compulsory reserve requirement was set at 8% for RON and 10% for balances denominated in USD or EUR (31 December 2015: 8% for RON and 14% for USD or EUR).

15. DUE FROM BANKS

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Repayable on demand	32,430	32,107	37,575	30,646
Term deposits	84,012	55,374	16,316	5,007
Collateral deposits	1,362	1,362	-	-
Total	**117,804**	**88,843**	**53,891**	**35,653**

Average interest rates on term deposits placed by the Bank/Group during 2016 ranged as follows:

- 0.25% to 0.75% - for RON deposits (0.25% to 2.50% in 2015);
- 0.00% to 0.10% - for EUR deposits (0.00% to 0.40% in 2015).

Collateral deposits amounting to 1,362 thousand lei include deposits for interest rate derivatives.

16. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank/Group has the following outstanding derivative transactions:

		FAIR VALUE	
	NOTIONAL	ASSETS	LIABILITIES
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	-
2015: Financial Derivatives	**378,931**	**31**	**-2,148**
Forex Swap Instruments	378,931	31	-2,148
Rating Moody's A1	*220,573*	*31*	*-481*
Rating Moody's P1	*90,490*	-	*-1,533*
Fara rating	*67,868*	-	*-134*
Forex Forward Instruments	-	-	-
Forex Swap Instruments	-	-	-

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.

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17. LOANS

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Loans in RON - public authorities	343,746	343,746	167,726	167,726
Loans in RON – corporate clients	1,537,499	1,537,499	1,433,303	1,433,303
Loans in foreign currency- corporate clients	404,972	404,972	326,315	326,315
Total exposure	**2,286,217**	**2,286,217**	**1,927,344**	**1,927,344**
Allowances for loans in RON– public authorities	-116	-116	-	-
Allowances for loans in RON – other legal	-109,862	-109,862	-80,376	-80,376
Allowances for loans in foreign currency – other legal	**-16,260**	**-16,260**	**-4,649**	**-4,649**
Specific adjustments to impaired loans	-90,166	-90,166	-54,184	-54,184
Impairment happened but unidentified	-36,072	-36,072	-30,841	-30,841
Total impairment adjustments	**-126,238**	**-126,238**	**-85,025**	**-85,025**
Total loans, net	**2,159,979**	**2,159,979**	**1,842,319**	**1,842,319**

Generally, the loans and advances are granted to companies registered in Romania. Loans can be repaid before their scheduled maturity. In case of anticipated payment some categories of loans are subject to an early reimbursement commission / penalty.

a) Movement in provisions

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Impairment provision, opening balance	**85,025**	**85,025**	**93,736**	**93,736**
Impairment adjustments	86,674	86,674	93,986	93,986
Accrued interest on impaired loans	-1,649	-1,649	-250	-250
Gain/Loss from provisions in the current period (note 5)	**73,823**	**73,823**	**24,011**	**24,011**
Impairment adjustments	78,322	78,322	25,842	25,842
Accrued interest on impaired loans	-4,499	-4,499	-1,831	-1,831
Release of provisions related to loans written off	**-32,679**	**-32,679**	**-32,920**	**-32,920**
Release of impairment provisions	-38,181	-38,181	-33,355	-33,355
Accrued interest on impaired loans	5,502	5,502	435	435
Gain/Loss from exchange rate	**69**	**69**	**198**	**198**
Impairment adjustments	68	68	201	201
Accrued interest on impaired loans	1	1	-3	-3
Impairment provision, closing balance	**126,238**	**126,238**	**85,025**	**85,025**
Provisions related to impaired loans	126,883	126,883	86,674	86,674
Accrued interest on impaired loans	-645	-645	-1,649	-1,649

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

b) Analysis by industry

	31-DEC-16 GROUP	31-DEC-16 BANK	31-DEC-15 GROUP	31-DEC-15 BANK
Public authorities	**343,746**	**343,746**	**167,726**	**167,726**
Other economic sectors	**1,942,471**	**1,942,471**	**1,759,618**	**1,759,618**
A. Agriculture, forestry and fishing	77,323	77,323	119,140	119,140
B. Mining industry	107,429	107,429	102,855	102,855
C. Manufacturing	997,530	997,530	946,418	946,418
D. Electricity, gas, steam and air conditioning supply	55,106	55,106	69,861	69,861
E. Water supply	78,605	78,605	67,835	67,835
F. Construction	17,237	17,237	5,383	5,383
G. Retail and wholesale trade	316,577	316,577	190,468	190,468
H. Transportation and storage	102,014	102,014	73,128	73,128
I. Accommodation and restaurants	15,608	15,608	16,137	16,137
J. Information and communication	23,032	23,032	31,201	31,201
K. Financial services	91,817	91,817	69,191	69,191
L. Real estate activities	862	862	1,059	1,059
M. Professional, scientific and technical activities	43,306	43,306	59,217	59,217
N. Administrative and support activities	15,326	15,326	7,692	7,692
P. Education	-	-	-	-
Q. Health and social work services	595	595	-	-
R. Other services	104	104	33	33
Total portfolio	**2,286,217**	**2,286,217**	**1,927,344**	**1,927,344**

The Bank is financing primarly companies with residency in Romania representing 97% of total customer loans portfolio, the difference being represented by exposures from external factoring to import factors non resident.

c) Analysis of credit quality

	31-DEC-16 GROUP	31-DEC-16 BANK	31-DEC-15 GROUP	31-DEC-15 BANK
Total loans and receivables not impaired:	**1,950,179**	**1,950,179**	**1,753,861**	**1,753,861**
Neither past due nor impaired	1,947,349	1,947,349	1,750,947	1,750,947
Past due but not impaired:	2,830	2,830	2,914	2,914
Less than 30 days overdue	1,417	1,417	2,914	2,914
Overdue between 31 -60 days	1,413	1,413	-	-
Overdue between 61 -90 days	-	-	-	-
Overdue over 90 days	-	-	-	-
Total loans and receivables impaired:	**336,038**	**336,038**	**173,483**	**173,483**
Current debt service or under 30 days	309,763	309,763	98,998	98,998
Debt service over 30 days	26,275	26,275	74,485	74,485
Total portfolio	**2,286,217**	**2,286,217**	**1,927,344**	**1,927,344**

The distribution by industries of off balance sheet exposures from loan commitments and guarantees is depicted below:

THE BANK/ THE GROUP	31-DEC-16 LOAN COMMITMENTS	31-DEC-16 LETTERS OF GUARANTEE	31-DEC-15 LOAN COMMITMENTS	31-DEC-15 LETTERS OF GUARANTEE
A. Agriculture, forestry and fishing	27,813	16,216	11,498	-
B. Mining industry	70	1,500	170	551
C. Manufacturing	122,585	208,780	207,338	206,673
D. Electricity, gas, steam and air conditioning supply	9,985	5,457	2,634	20,065
E. Water supply	5,292	11,336	1,393	3,341
F. Construction	1,024	83,902	5,878	60,123
G. Retail and wholesale trade	40,043	45,792	56,347	25,172
H. Transportation and storage	1,631	1,041	1,834	7,995
I. Accommodation and restaurants	3,643	-	96	-
J. Information and communication	63	75,901	5,914	1,302
K. Financial services	271,323	330	30,810	17,324
L. Real estate activities	2,063	232	4,186	3,722
M. Professional, scientific and technical activities	248	1,436	950	937
N. Administrative and support activities	121,690	-	26,067	-
P. Education	-	707	-	-
S. Other services	342	-	-	-
Total portofoliu	**607,815**	**452,630**	**355,115**	**347,205**

18. INVESTMENTS

a) Investments in subsidiaries

	31-DEC-16 GROUP	31-DEC-16 BANK	31-DEC-15 GROUP	31-DEC-15 BANK
Investments in subsidiaries	-	61,353	-	41,366
Impairment adjustments	-	-31,921	-	-18,293
Total	**-**	**29,432**	**-**	**23,073**
% Participation held		97.05%		93.78%

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

Further to the impairment test performed by the Bank as at 31 December 2016 and December 2015, the evidence of impairment has resulted in an impairment of investment in subsidiary EximAsig amounting to RON 31,921 thousand at December 31, 2016 (December 31, 2015: RON 18,293 thousand), with an additional expense in 2016 of RON 13,628 thousand.

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 the subsidiary EximAsig 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-16 GROUP	31-DEC-16 BANK	31-DEC-15 GROUP	31-DEC-15 BANK
Debt instruments – bonds and securities (cost)	1,769,448	1,769,448	1,571,545	1,571,545
Accrued interest	35,992	35,992	38,934	38,934
Decrease / increase in fair value of investments available for sale	4,900	4,900	17,961	17,961
Total investments at fair value	**1,810,340**	**1,810,340**	**1,628,440**	**1,628,440**
Other investments at cost	**167**	**167**	**167**	**167**
Total	**1,810,507**	**1,810,507**	**1,628,607**	**1,628,607**

As at 31 December 2016, the Bank/Group portfolio included the below 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 available, the Bank/Group uses valuation methods based on indirectly observed data inputs, respectively, determines the prices indirectly based on observable data (interest rates, swap quotes, CDS quotations), applicable on markets corresponding to currencies in which the securities owned are denominated.

	31-DEC-16 GROUP	31-DEC-16 BANK	31-DEC-15 GROUP	31-DEC-15 BANK
MPF Treasury Bills (Baa3)	326,581	326,581	-	-
MPF Bonds (Baa3-)	1,307,696	1,307,696	1,527,055	1,527,055
PMB Bonds (Baa3)	91,370	91,370	23,891	23,891
JP MORGAN Bonds (Aa2)	31,852	31,852	33,279	33,279
UNICREDIT TIRIAC BANK S.A. Bonds (Fitch BBB)	42,795	42,795	44,215	44,215
Banque Internationale à Luxembourg Bonds (A2)	10,046	10,046	-	-
Transfond, Swift Shares (no rating)	167	167	167	167
Total	**1,810,507**	**1,810,507**	**1,628,607**	**1,628,607**

At 31 December 2016 The Bank/Group set up collaterals consisting in bonds in nominal value of RON 3,000 thousand (31 December 2015: RON 3,000 thousand), in favor of the National Bank of Romania which acts as administrator of the system of payments in real time – ReGIS, in order to ensure the settlement operations conducted by the Bank/Group through electronic clearing multilateral interbank payments - SENT.

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c) Investments held to maturity

	31-DEC-16 GROUP	31-DEC-16 BANK	31-DEC-15 GROUP	31-DEC-15 BANK
MPF Bonds (Baa3 *)	15,262	-	115,173	109,607
Accrued interest	404	-	4,561	4,418
Total	**15,666**	**-**	**119,734**	**114,025**

*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 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 (31 December 2015: Bonds issued by the Ministry of Public Finance of Romania in local currency).

d) Financial instruments held for trading

	31-DEC-16 GROUP	31-DEC-16 BANK	31-DEC-15 GROUP	31-DEC-15 BANK
Treasury Bills	-	-	-	-
MPF Bonds (Level 1) (Baa3)	17,582	17,582	-	-
Total	**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) or by using alternative valuation techniques for the bonds issued by other credit institutions Other (classified as level 2).

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.

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19. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

EXIMBANK (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)	-	0
Transfers to investment property	-2,224	-	-	-	-	-2,224	-	-	-	-2,224
As at 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**	**0**	**21,370**	**19,683**	**0**	**19,683**	**41,053**
Amortization for the year	161	250	2,623	677	0	3,711	4,144	0	4,144	7,855
Revaluation	-539	0	0	0	0	-539	0	0	0	-539
Disposals	0	0	-1,476	0	0	-1,476	0	0	0	-1,476
Transfers between categories	0	0	0	0	0	0	0	0	0	0
Transfers to investment property	0	0	0	0	0	0	0	0	0	0
As at 31 December 2016	**12**	**897**	**19,660**	**2,497**	**0**	**23,066**	**23,827**	**0**	**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 p[erformed 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.

EXIMBANK (AS AT 31 DECEMBER 2015)	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 2015	**9,572**	**1,188**	**22,951**	**3,875**	**258**	**37,844**	**23,046**	**190**	**23,236**	**61,080**
Additions	-	105	3,505	-	62	3,672	1,651	1,259	2,910	6,582
Revaluation	-298	-	-	-	-	-298	-	-	-	-298
Disposals	-	-105	-207	-	-	-312	-	-	-	-312
Transfers between categories	-	34	133	-	-167	-	140	-140	-	-
Transfers to investment property	-1,705	-	-	-	-	-1,704	-	-	-	-1,704
As 31 December 2015	**7,570**	**1,222**	**26,382**	**3,875**	**153**	**39,202**	**24,837**	**1,309**	**26,146**	**65,348**
Accumulated depreciation										
As at 1 January 2014	**262**	**412**	**16,256**	**1,170**	**-**	**18,100**	**15,069**	**-**	**15,069**	**33,169**
Amortization for the year	213	235	2,456	650	-	3,554	4,308	-	4,308	7,862
Revaluation	-85	-	-	-	-	-85	-	-	-	-86
Disposals	-	-	-199	-	-	-199	306	-	306	108
Transfers between categories	-	-	-	-	-	-	-	-	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-
As at 31 December 2015	**390**	**647**	**18,513**	**1,820**	**-**	**21,370**	**19,683**	**-**	**19,683**	**41,053**
Carrying value as at 31 December 2015	**7,180**	**575**	**7,869**	**2,055**	**153**	**17,832**	**5,154**	**1,309**	**6,463**	**24,295**
Carrying value as at 1 January 2015	**9,310**	**776**	**6,695**	**2,705**	**258**	**19,744**	**7,977**	**190**	**8,167**	**27,911**

The gross book value of fully depreciated tangible assets, still in use as at 31 December 2015 amounts to RON 14,467 thousand and the gross book value of fully amortized intangible assets, still in use amounts to RON 13,238 thousand.

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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.

GROUP (AS AT 31 DECEMBER 2015)	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 2015	**10,365**	**1,188**	**24,963**	**4,388**	**258**	**41,162**	**26,890**	**190**	**27,080**	**68,242**
Additions	-	105	3,511	-	62	3,678	1,653	1,259	2,912	6,590
Revaluation	-298	-	-	-	-	-298	-	-	-	-298
Disposals	-793	-105	-223	-	-	-1,121	-	-	-	-1,121
Transfers between categories	-	34	133	-	-167	-	140	-140	-	-
Transfers to investment property	-1,704	-	-	-	-	-1,704	-	-	-	-1,704
As at 31 December 2015	**7,570**	**1,222**	**28,384**	**4,388**	**153**	**41,717**	**28,683**	**1,309**	**29,992**	**71,709**
Accumulated depreciation										
As at 1 January 2014	**961**	**412**	**18,061**	**1,540**	**-**	**20,974**	**18,214**	**-**	**18,214**	**39,188**
Amortization for the year	307	235	2,506	736	-	3,784	5,007	-	5,007	8,791
Revaluation	-85	-	-	-	-	-85	-	-	-	-85
Disposals	-793	-	-207	-	-	-1,000	299	-	299	-701
Transfers between categories	-	-	-	-	-	-	-	-	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-
As at 31 December 2015	**390**	**647**	**20,360**	**2,276**	**-**	**23,673**	**23,520**	**-**	**23,520**	**47,193**
Carrying value as at 31 December 2015	**7,180**	**575**	**8,024**	**2,112**	**153**	**18,044**	**5,163**	**1,309**	**6,472**	**24,516**
Carrying value as at 1January 2015	**9,404**	**776**	**6,902**	**2,848**	**258**	**20,188**	**8,676**	**190**	**8,866**	**29,054**

The gross book value of fully depreciated tangible assets, still in use as at 31 December 2015 amounts to RON 14,467 thousand and the gross book value of fully amortized intangible assets, still in use amounts to RON 13,328 thousand.

20. INVESTMENT PROPERTY

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

	BALANCE AS AT 1 JANUARY 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**

The Bank/Group revalued investment property owned in 2016 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 2016 amounted to RON 4,257 thousand (2015: 3,824 thousand).

	BALANCE AS AT JANUARY 1, 2015	ADDITIONS	DISPOSALS	REVALUATION		BALANCE AS AT DECEMBER 31, 2015
				GAINS	(LOSSES)	
Land	5,773	307	-	2,371	-	8,451
Building	27,813	1,398	-	-	2,486	26,725
Total	**33,586**	**1,705**	**-**	**2,371**	**-2,486**	**35,176**

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-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Sundry debtors	11,147	1,836	11,882	2,590
Current income tax *)	11,158	11,158	-	-
Prepayments	10,197	10,169	14,881	14,848
Premium reserve - ceded to reinsurers	40,016	-	36,322	-
Deferred acquisition costs related to general insurance	565	-	2,514	-
Insurance settlements - fire and explosions	475	-	1,053	-
Insurance settlements - third party liability	50	-	153	-
Settlements on other insurance	579	-	836	-
Commissions receivable operations in mandate **)	390	390	683	683
Others	19	19	60	60
Other assets	**74,206**	**23,572**	**68,384**	**18,181**

**) 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.*

***) Commissions receivable operations in mandate amounting to RON 683 thousand for the year 2015 were included in other assets, without the separate presentation in the balance sheet.*

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Sundry debtors' situation is presented in the table below:

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	GROUP	GROUP	BANK
			Revised	Correction *)	Initial	
Sundry debtors - gross	23,340	7,778	23,093	3,960	19,133	9,841
Allowances (detailed below)	-12,193	-5,942	-11,211	-3,960	-7,251	-7,251
Sundry debtors, net	**11,147**	**1,836**	**11,882**	**-**	**11,882**	**2,590**

As at December 2016, sundry debtors in total amount of RON 22,289 thousand, consist 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.

As at December 2015, sundry debtors in total amount of RON 19,133 thousand, consisted in:

- Current receivables from sundry debtors in amount of RON 11,881 thousand;
- Past due receivables, not impaired, related to sundry debtors in amount of RON 1 thousand;
- Impaired receivables from sundry debtors in amount of RON 7,251 thousand, fully provisioned.

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GRUP	BANCA	GRUP	BANCA
Impairment adjustment, initial balance	**-11,211**	**-7,251**	**-7,557**	**-7,557**
Impairment (gain) / loss	-130	262	-425	-425
Release of impairment	1,110	1,110	924	924
Other changes (translation)	-63	-63	-193	-193
Reclassification provisions debitori- EximAsig *	-1,899	-	-	-
Balance before correction	**-12,193**	**-5,942**	**-7,251**	**-7,251**
Correction insurance policy 2014 – EximAsig *	-	-	-3,960	-
Impairment balance, after correction	**-12,193**	**-5,942**	**-11,211**	**-7,251**

**) In 2016 EximAsig has booked receivables from insurance policy for year 2014 (amounting to around RON 4 million), that was fully provisioned. Accounting records were performed through retained earnings, with no impact.*

22. DUE TO BANKS

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Current accounts and sight deposits from banks	257,670	257,670	-	-
Term deposits	239,847	239,847	14,318	14,318
Collateral deposits	201	201	200	200
Total due to credit institutions	**497,717**	**497,717**	**14,518**	**14,518**

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

23. DEPOSITS FROM MPF

In order to achieve the strategic objective of supporting the Romanian economy, the Bank 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 2015 and 31 December 2016 being as follows:

	31-DEC-16	31-DEC-15
Funds for export guarantees	1,532,421	1,527,836
Fund for insurance and reinsurance activities	38,940	35,548
Funds for stimulating exports	129,528	109,200
Total deposits from MPF (principal)	**1,700,889**	**1,672,584**
Accrued interest	1,298	2,275
Total deposits from MPF	**1,702,187**	**1,674,859**

In 2016 there have been executed, by reducing the state funding, guarantees amounting to RON 66,577 thousand (2015: RON 22,192 thousand).

In the first three months of 2017 there have been executed state guarantees in amount of RON 37,858 thousand, which were paid. Additional notifications received until the end of March 2017 totals RON 27,477 thousand, under settlement.

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 Europea 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 2015-2016 referred solely to commissions, interest and insurance premiums, reimbursements or recoveries, as no budgetary allocations were recorded since 2009 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 2016 was 0.91% (2015: 1.61%).

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 2015		**1,477,175**	**34,567**	**77,564**	**1,589,306**
Budgetary allocations		-	-	-	-
Uses	Funding	-	-	-3,314	-3.314
	Interest compensation	-	-	-6,589	-6.589
	Foreclosures/Claims	-22,192	-	-	-22.192
	Commissions – other payments	-7,765	-401	-455	-8.621
Sources	Financing reimbursements	-	-	34,549	34.549
	Recoveries	25,748	10	766	26.524
	Commissions/interest/ premiums	54,870	1,372	6,679	62.921
Closing balance as at 31 December 2015		**1,527,836**	**35,548**	**109,200**	**1,672,584**

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		-	-	-	-
Uses	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

The Bank receives a commission for managing State funds and conducting operations on behalf of and to the benefit of the State, commission which represents a percentage (allocation coefficient) applied to interest payable. The commission is determined by applying a coefficient calculated based on the proportion of funds used, determined as the ratio between commitments in force at the end of the reporting month and the funds available and the end of the period, capped at 30%, according to the change in regulations effective from 1 July 2010.

The coefficient is calculated on the last day of each month and applied the next month on the interest payable on State funds. During 2016, the average coefficient was 30% (2015: 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 "Commission receivable from the State"; 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-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Current accounts	108,774	108,775	96,088	96,198
Sight deposits	82,217	82,217	4,976	4,976
Term deposits	671,400	671,400	782,737	788,666
Collateral deposits	100,548	100,548	85,735	85,735
Other payables	0	0	799	799
	962,939	**962,940**	**970,335**	**976,374**

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 1 thousand at December 31, 2016, respectively RON 6,039 thousand at December 31, 2015.

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 set up provision for financial guarantees offered, for obligations towards employees, respectively: benefits for outstanding annual leaves, fund for employee's participation at profit, determined after deducting tax, bonus pool, pensions and similar obligations, litigation with employees and other compensatory payments.

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. 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-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Provisions for letters of guarantees	9,488	9,488	3,787	3,787
Provisions for other liabilities related to salaries, of which:	4,579	4,579	11,162	11,162
-with deferred payment for less than 1 year;	752	752	262	262
- with deferred payment from 1 to 3 years;	598	598	338	338
Provisions for untaken vacation	1,974	1,974	1,314	1,314
Provisions for retirement benefits	1,173	1,173	907	907
-with deferred payment for less than 1 year;	41	41	47	47
- with deferred payment from 1 to 3 years;	142	142	66	66
- with deferred payment from 3 to 5 years;	119	119	83	83
- with deferred payment exceeding 5 years;	871	871	711	711
Other provisions (EximAsig*)	4,336	-	6,199	2
	21,550	**17,214**	**23,369**	**17,172**

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Provisioning for probable outflows of financial resources for the following financial years, as well as the use of provisions recognized in previous financial years or their cancellation due to the fact that an outflow of resources is no longer probable is presented as follows:

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

**) In 2016, EximAsig reclassified the provisions for Sundry debtors amounting of RON 1,899 thousand from "Other provisions" to "Sundry debtors" (linked with note 21). The provisions in amount of RON 4,336 thousand represents provisions for litigations with low chance of winning.*

2015 Financial year

GROUP	BALANCE AT 1 JANUARY 2015	PROVISION USE	PROVISION CANCELLATION	PROVISION CONSTITUTION	BALANCE AT 31 DECEMBER 2015
Provisions for letters of guarantee	**-**	-	-	3,787	**3,787**
Provisions for other liabilities related to salaries, of which:	**8,939**	-7,969	-395	10,587	**11,162**
Provisions for salary liabilities	**8,939**	-7,969	-395	10,583	**11,158**
Provisions for litigation	**-**	-	-	4	**4**
Provisions for untaken vacation	**1,235**	1,225	-	1,304	**1,314**
Other provisions	**3,000**	-	-1,469	4,668	**6,199**

Movement in provision for retirement benefits:

	31-DEC-16	31-DEC-15
Opening balance	**907**	**1,397**
Interest cost	123	31
Current service cost	38	146
Benefits paid	-80	-52
(Gain)/loss for the period	185	-615
Final balance	**1,173**	**907**

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

	31-DEC-16	31-DEC-15
Discount rate	3.2%	4.3%
Future increases in salaries *)	1.5%	2.2%

**) for the provision calculation in 2016 was considered a salary increase of 0% in 2017 and 2018, and since 2019 a salary increase of 1.5%*

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

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-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Contribution to social security	1,220	1,198	1,388	1,338
Current income tax payable	-	-	6,349	6,349
Other liabilities to employees	226	-	192	-
Other sundry liabilities (Note 28)	89,350	14,289	74,495	11,329
Other liabilities to state budget	749	686	752	630
	91.545	**16.173**	**83.176**	**19.646**

28. OTHER SUNDRY LIABILITIES

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Technical reserves – total, in which:	**66,230**	**-**	**52,743**	**-**
Premium reserve	10,877	-	14,978	-
Reserve for claims on general insurance	50,023	-	37,071	-
Other technical reserves relating to general insurance business *	5,330	-	694	-
Settlements on reinsurance operations - total, in which:	**7,637**	**-**	**8,754**	**-**
Ceding in reinsurance operations – goods in transit	-6	-	3,647	-
Ceding in reinsurance operations - fire and natural calamity	186	-	978	-
Ceding in reinsurance operations - loans	6,481	-	1,552	-
Reinsurance operations - insurance for guarantees	1,441	-	2,699	-
Ceding in reinsurance operations - other	-465	-	-122	-
Other sundry liabilities total, in which:	**15,483**	**14,289**	**12,998**	**11,328**
Sundry creditors	1,232	138	1,620	136
Creditors – cash collateral	15	15	-	-
Interbank settlements	13,180	13,180	8,983	8,983
Suppliers	1,056	956	2,395	2,210
	89,350	**14,289**	**74,495**	**11,329**

*) It includes reserve for unexpired risks calculated based on the estimate damages that occur after the close of the financial year, in case it is found that the expenses related damage estimated in the future exceed the premium reserves set less related deferred acquisition costs and, therefore, during future the premium reserve will not be sufficient to cover the losses which will occur in the following financial years.

Technical reserves ceded to reinsurers are presented in other assets (note 21), the gross and net changes in reserves, during 2016, are as follows:

	31-DEC-16	31-DEC-15	NET VARIATION	ATTRIBUTABLE TO SUBSCRIPTION YEAR				
				BEFORE 2013	2013	2014	2015	2016
Premium reserve	10,877	14,978	-4,101	-7,581	8,555	-1,766	-660	-2,649
Reserve for claims	50,023	37,071	12,953	7,830	1,934	18,733	-29,940	14,395
Other technical reserves relating to general insurance business	5,330	694	4,636	-	142	6,189	-12,245	10,550
Technical reserves – gross value	66,230	52,743	13,488	249	10,631	23,156	-42,845	22,296
Premium reserve - the part ceded in reinsurance	4,381	6,051	-1,670	-4,197	2,278	-1,282	5,111	-3,580
Reserves for claims relating general insurance - the part ceded in reinsurance	35,635	30,271	5,363	4,588	5	22,228	-28,090	6,633
Other technical reserves ceded in reinsurance	40,016	36,322	3,693	391	2,283	20,946	-22,979	3,053
Total technical reserves ceded in reinsurance	26,214	16,421	9,795	-142	8,348	2,210	-19,866	19,243

29. DEFERRED INCOME AND ACCRUED EXPENSES

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Deferred income – for acting as agent of the State	8,869	8,869	10,449	10,449
Deferred income - risk margin and letter of credit commission	2,734	2,734	2,906	2,906
Deferred income on insurance guarantees	14	-	4	-
Accrued expenses	345	341	700	700
	11,962	**11,944**	**14,059**	**14,055**

Deferred income represents income recorded in advance related to commissions for guarantees issued on behalf of and to the benefit of the State, as well as income from commission for loans granted on behalf of the State. Accrued expenses represent liabilities for services rendered by third parties referring to the current period.

30. SHARE CAPITAL

	31-DEC-16	31-DEC-15
Statutory value (not restated)	800,760	800,760
Restatement of share capital	900,714	900,714
	1,701,474	**1,701,474**

During 2016, respectively 2015, there was no increase in the share capital of the Bank. There were no changes in the shareholders’ structure.

NUMELE ACTIONARULUI	NUMBER OF SHARES AS OF 31 DECEMBER 2016	VALUE	NUMBER OF SHARES AS OF 31 DECEMBER 2015	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 2016 is 133,459,977 shares with a nominal value of RON 6 (31 December 2015: 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 2016 and 31 December 2015 is as follows:

	31-DEC-16	31-DEC-15
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 2016 the Bank paid dividends amounting to RON 39,197 thousand from the profit of 2015. In 2015 the Bank did not pay any dividends.

32. RETAINED EARNINGS

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Retained earnings, undistributed	-8,715	5,243	26,230	39,402
Retained earnings, adjustment for inflation under IAS 29	-900,714	-900,714	-900,714	-900,714
Reserves (note 33)	225,390	225,261	225,149	225,024
	-684,039	**-670,210**	**-649,335**	**-636,288**

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.

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33. RESERVES

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GRUP	BANCA	GRUP	BANCA
Legal reserves	55,568	55,439	55,327	55,202
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
	225,390	**225,261**	**225,149**	**225,024**

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 2016 to the legal reserve in amount of RON 237 thousand, set up within the limit of 5% of gross profit (2015: RON 2,613 thousand).

Revaluation reserves

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

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GRUP	BANCA	GRUP	BANCA
At 1 January	25,135	25,135	25,314	25,314
Revaluation surplus	626	626	-213	-213
Deferred tax	-100	-100	34	34
At 31 December	**25,661**	**25,661**	**25,135**	**25,135**

34. AVAILABLE FOR SALE RESERVE

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
At 1 January	15,055	15,055	44,272	44,272
Net gains/ (losses) from changes in fair value	-13,052	-13,052	-34,782	-34,782
Deferred tax	2,088	2,088	5,565	5,565
At 31 December	**4,091**	**4,091**	**15,055**	**15,055**

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

35. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

Guarantees and letters of credit

The Bank/Group issues guarantees and letters of credit on behalf of its customers. The primary purpose of these instruments is to ensure that funds are available to a customer demand. Guarantees and standby letters of credit, both represent an irrevocable commitment that the Bank/Group will make payments in the event which a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Documentary and commercial letters of credit are collateralized and therefore have significantly less risk. Cash requirements under guarantees and standby letters of credit are considerably worth less than the amount of the commitment because the Bank/Group does not generally expect the third party to draw funds under the agreement.

The market and credit risk on these financial instruments, as well as the operating risk is similar to that arising from granting of loans. 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

Commitments to loans 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, since it results from the possibility of unused portions of authorized loans being drawn by the customer and from these drawings subsequently not being repaid as due.

The Bank/Group monitors the maturity date of credit commitments because longer-term commitments generally have a higher degree of credit risk than shorter-term commitments. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

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-16 GROUP	31-DEC-16 BANK	31-DEC-15 GROUP	31-DEC-15 BANK
Letters of guarantee issued to customers	278,526	278,526	156,050	156,050
Undrawn guarantee commitments	173,775	173,775	173,830	173,830
Letters of credit	330	330	10,161	10,161
Undrawn loans commitments	607,728	607,728	344,953	344,953
Other	87	87	17,324	17,324
	1,060,446	**1,060,446**	**702,318**	**702,318**

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-16 GROUP	31-DEC-16 BANK	31-DEC-15 GROUP	31-DEC-15 BANK
Less than 1 year	5,639	4,997	5,311	5,712
From 1 to 5 years	5,400	4,918	12,755	9,805
	11,039	**9,915***	**15,517**	**13,756**

The amount of RON 9,915 thousand includes the rent for the headquarter situated in 6A, Barbu Delavrancea, Bucharest, amounting to RON 6,125 thousand integrally paid until the end of the contract (October 2018).

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.

Managing 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.

Credit related characteristics, such as value, due dates, credit installments, duration, grace period, time of use, etc. can be changed through replacement operations of the exposure, through mutual agreement between the Bank and the customer.

Exposures replacement operations at Eximbank level are grouped into rescheduling and refinancing.

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).

The Group/Bank uses exposure replacement operations for debtors who are facing or are about to face difficulties in meeting their financial obligations. Replacement operations are carried out due to legal or economic difficulties the debtor is facing, these operations would not have otherwise been considered by the Group/Bank.

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 2015 and 31 December 2014, 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. During 2015 the Group/Bank did not have a trading portfolio.

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 2015 and 31 December 2014 analyzed into relevant interest rate re-pricing periods is included in Note 39b.

■ 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:

- Alligniment 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-2016	31-DEC-2015
Accident insurance	-	-70%
Insurance of goods in transit	-	80.40%
Insurance against fire and other natural calamities	25.01%	8.40%
General liability insurance	16.80%	189.70%
Loan insurance	709.66%	-
Guarantee insurance	131.21%	-45.70%
Financial loss insurance	-	-

Net reinsurance loss ratio was calculated for one financial year. The high rate of damage for credit insurance (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.

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

CLASS	31-DEC-2016 INSURED AMOUNTS	31- DEC -2015 INSURED AMOUNTS
Accident insurance	2,095	5,500
Insurance of goods in transit	-	-
Insurance against fire and other natural calamities	3,122,581	3,092,000
General liability insurance	116,013	179,800
Loan insurance	839,128	868,100
Guarantee insurance	573,855	1,001,900
Financial loss insurance	-	700

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

PREMIUM RESERVE, INSURANCE OF:	31 DECEMBER 2016			31 DECEMBER 2015		
	GROSS	REINSURANCE CEDED	NET	GROSS	REINSURANCE CEDED	NET
Accidents	5	-	5	10	-	10
Goods in transit	1,535	-	1,535	2,454	-	2,454
Fire and natural calamities	201	138	63	304	205	99
General liability	882	599	283	1,597	1,035	562
Loans	8,254	3,644	4,610	10,612	4,811	5,801
Guarantees and bonds	-	-	-	1		1
Total	**10,877**	**4,381**	**6,496**	**14,978**	**6,051**	**8,927**

EXPORT - IMPORT BANK OF ROMANIA – EXIMBANK SA
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT for the financial exercise closed as at 31st december 2016
(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

RESERVE FOR RBNS CLAIMS	31 DECEMBER 2016			31 DECEMBER 2015		
	GROSS	REINSURANCE CEDED	NET	GROSS	REINSURANCE CEDED	NET
Accidents	305	305	-	4,510	4,510	-
Fire and natural calamities	706	-	706	261	-	261
General liability	4,842	3,381	1,461	5,847	4,078	1,769
Loans	15,933	12,746	3,187	-	-	-
Guarantees and bonds	23,537	17,618	5,919	21,326	18,121	3,205
Total	**45,323**	**34,050**	**11,273**	**31,944**	**26,709**	**5,235**

RESERVE FOR IBNR CLAIMS	31 DECEMBER 2016			31 DECEMBER 2015		
	GROSS	REINSURANCE CEDED	NET	GROSS	REINSURANCE CEDED	NET
Fire and natural calamities	0	0	0	2	-	2
General liability	37	9	28	3,560	2,856	704
Loans insurance	997	821	176			
Guarantees and bonds	3,667	755	2,912	1,565	706	-
Total	**4,700**	**1,585**	**3,115**	**5,127**	**3,562**	**1,565**

OTHER TECHNICAL RESERVES FOR GENERAL INSURANCE:	31 DECEMBER 2016			31 DECEMBER 2015		
	GROSS	REINSURANCE CEDED	NET	GROSS	REINSURANCE CEDED	NET
Fire and natural disasters	-	-	-	694	-	694
Guarantees and bonds *	5,330	-	5,330	-	-	-
Total	**5,330**	**-**	**5,330**	**694**	**-**	**694**

* The amount of RON 5,330 thousand (Technical reserves for general insurance) includes the amount of RON 486 thousand included in the liability adequacy test result (LAT), the difference being the reserve 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;
- Allowances for impairment of loans, as well as prudential provisions are adequately set up;
- Troubled 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.

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

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, 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 subsidary	-	-	-	-	-	-	-	-
Financial instruments trading	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, 2015, the exposure to credit risk is presented below:

31.12.2015 – 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	403	-	-	-	-	-	-	-
Derivative assets	31	31	-	-	-	-	-	-
Accounts with the National Bank of Romania	105,029	-	-	-	-	-	-	-
Due from banks	53,891	53,891	-	-	-	-	-	-
Net loans	1,842,319	1,927,344	18,674	-	643,111	83,989	646,318	1,945,118
Loans (gross value)	*1,927,344*	*1,927,344*	*18,674*	-	*643,111*	*83,989*	*646,318*	*1,945,118*
Loan adjustments	*-85,025*	-	-	-	-	-	-	-
Investments in subsidary	-	-	-	-	-	-	-	-
Financial instruments trading	-	-	-	-	-	-	-	-
Available for sale investments	1,628,607	1,628,607	-	-	-	-	-	-
Investments held to maturity	119,734	119,734	-	-	-	-	-	-
Net tangible assets	18,044	-	-	-	-	-	-	-
Net intangible assets	6,472	-	-	-	-	-	-	-
Investment property	35,176	-	-	-	-	-	-	-
Other assets	68,384	53,503	-	-	-	-	-	-
Total assets	**3,878,090**	**3,783,110**	**18,674**	**-**	**643,111**	**83,989**	**646,318**	**1,945,118**
Off – balance sheet exposures:	702,318	702,318	13,314	-	192,672	20,915	148,633	518,000
Letters of credit	10,161	10,161	24	-	672	-	3,716	17,612
Loan commitments	344,953	344,953	324	-	60,790	3,890	85,856	281,075
Letters of guarantee	347,204	347,204	12,966	-	131,210	17,025	59,061	219,313
Total	**4,580,408**	**4,485,428**	**31,988**	**-**	**835,783**	**104,904**	**794,951**	**2,463,118**

(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	-	-	-	-	-	-	-
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**

As at December 31, 2015, the exposure to credit risk is presented below:

31.12.2015 – 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	391	-	-	-	-	-	-	-
Derivative assets	31	31	-	-	-	-	-	-
Accounts with the National Bank of Romania	105,029	-	-	-	-	-	-	-
Due from banks	35,653	35,653	-	-	-	-	-	-
Net loans	1,842,319	1,927,344	18,674	-	643,111	83,989	646,318	1,945,118
Loans (gross value)	*1,927,344*	*1,927,344*	*18,674*	-	*643,111*	*83,989*	*646,318*	*1,945,118*
Loan adjustments	*-85,025*	-	-	-	-	-	-	-
Investments in subsidiary	23,073	-	-	-	-	-	-	-
Financial instruments trading	-	-	-	-	-	-	-	-
Available for sale investments	1,628,607	1,628,607	-	-	-	-	-	-
Investments held to maturity	114,025	114,025	-	-	-	-	-	-
Net tangible assets	17,832	-	-	-	-	-	-	-
Net intangible assets	6,463	-	-	-	-	-	-	-
Net investment property	35,176	-	-	-	-	-	-	-
Other assets	18,181	3,333	-	-	-	-	-	-
Total assets	**3,826,780**	**3,708,993**	**18,674**	**-**	**643,111**	**83,989**	**646,318**	**1,945,118**
Off – balance sheet exposures:	702,318	702,318	13,314	-	192,672	20,915	148,633	518,000
Letters of credit	*10,161*	*10,161*	*24*	-	*672*	-	*3,716*	*17,612*
Loan commitments	*344,953*	*344,953*	*324*	-	*60,790*	*3,890*	*85,856*	*281,075*
Letters of guarantee	*347,204*	*347,204*	*12,966*	-	*131,210*	*17,025*	*59,061*	*219,313*
Total	**4,529,098**	**4,411,311**	**31,988**	**-**	**835,783**	**104,904**	**794,951**	**2,463,118**

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

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. Management 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	
	31.12.2016	31.12.2015
A	606,264	451,532
B	855,180	823,323
C	422,241	439,079
D	334,906	147,741
E	5,587	65,669
No rating	62,039	-
Total	**2,286,217**	**1,927,344**

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 cashflows 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 2016	NEITHER PAST DUE NOR IMPAIRED						PAST DUE	IMPAIRED	TOTAL
CUSTOMER TYPE	A	B	C	D	NO RATING	TOTAL			
Corporate customer	262,518	855,180	271,130	155,565	59,209	1,603,602	2,830	336,038	**1,942,470**
Public authorities	343,746	-	-	-	-	343,746	-	-	**343,746**
Total gross exposure	**606,264**	**855,180**	**271,130**	**155,565**	**59,209**	**1,947,348**	**2,830**	**336,038**	**2,286,216**
GROSS EXPOSURE 2015	NEITHER PAST DUE NOR IMPAIRED						PAST DUE	IMPAIRED	TOTAL
CUSTOMER TYPE	A	B	C	D	NO RATING	TOTAL			
Corporate customer	283,806	813,885	372,290	113,240	-	1,583,221	2,914	173,483	**1,759,618**
Public authorities	167,726	-	-	-	-	167,726	-	-	167,726
Total gross exposure	**451,532**	**813,885**	**372,290**	**113,240**	**-**	**1,750,947**	**2,914**	**173,483**	**1,927,344**

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
- ratings of D or E, on an A to E 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.

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 2016 and 31 December 2015.

	2016	2015
Allowances for individually assessed loans	90,166	54,184
Allowances for collectively assessed loans	36,072	30,841
	126,238	**85,025**

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

	31-DEC-16	31-DEC-16	31-DEC-15	31-DEC-15
	GROUP	BANK	GROUP	BANK
Past due but not impaired:	2,830	2,830	2,914	2,914
Less than 30 days past due	1,417	1,417	2,914	2,914
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 2016, the balance of forborne loans (gross) for the Bank/Group amounted to RON 256,367 thousand (2015: RON 191,755 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
2016	256,367	-39,204	217,163
2015	191,755	-26,008	165,747

During 2015 and 2016, the bank derecognized from balance sheet the impaired value loans fully covered with adjustments for impairment, 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-16	31-DEC-15
Total exposures in off – balance sheet accounts	188,555	165,069

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

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, of 8% of resources drawn in RON and 14% of the resources drawn in foreign currency, regulation which is in force at the end of 2016.

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.

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 2016: values recorded for this indicator in 2016 compared with 2015, being as follows:

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	**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**

The Bank holds in the portfolio assets with high liquidity (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.

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

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 and cash equivalents	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**

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, 2015:

31.12.2015 - 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	403	403	403	-	-	-	-
Derivative assets	31	31	31	-	-	-	-
Accounts with the National Bank of Romania	105,029	105,029	105,029	-	-	-	-
Due from banks	53,891	53,891	41,535	9,696	2,528	132	-
Net loans	1,842,319	1,842,319	115,195	198,595	794,412	629,414	104,703
Investments in subsidary	-	-	-	-	-	-	-
Financial instruments trading	-	-	-	-	-	-	-
Available for sale investments	1,628,607	1,628,607	156,149	47,281	366,072	791,870	267,235
Investments held to maturity	119,734	119,734	-	-	114,025	5,709	-
Net tangible assets	18,044	-	-	-	-	-	-
Net intangible assets	6,472	-	-	-	-	-	-
Net investment property	35,176	-	-	-	-	-	-
Other assets	68,384	53,503	53,503	-	-	-	-
	3,878,090	**3,803,517**	**471,845**	**255,572**	**1,277,037**	**1,427,125**	**371,938**
LIABILITIES							
Derivatives	2,148	2,148	2,148	-	-	-	-
Due to banks	14,518	14,518	9,318	5,000	-	200	-
MPF Funds	1,674,859	1,674,859	274,859	-	-	1,400,000	-
Due to customers	970,335	970,335	328,114	254,391	333,864	52,846	1,120
Deferred income and accrued expenses	14,059	-	-	-	-	-	-
Provisions	23,369	-	-	-	-	-	-
Other liabilities	83,176	83,176	83,176	-	-	-	-
Deffered tax	2,632	-	-	-	-	-	-
	2,785,096	**2,745,036**	**697,615**	**259,391**	**333,864**	**1,453,046**	**1,120**
NET ASSETS	**1,092,994**	**1,058,481**	**-225,770**	**-3,819**	**943,173**	**-25,921**	**370,818**
OFF-BALANCE SHEET POSITIONS							
Loan commitments	355,114	355,114	38,660	50,356	174,642	64,226	27,230
Guarantee commitments	347,204	347,204	45,289	39,892	104,810	150,063	7,150
Cash in from derivatives	377,058	377,058	265,305	111,753	-	-	-
Cash out from derivatives	-378,977	-378,977	-265,864	-113,113	-	-	-
	700,399	**700,399**	**83,390**	**88,888**	**279,452**	**214,289**	**34,380**

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

31.12.2015 - BANK	TOTAL	OF WHICH: LIQUIDITY RISK	< 1 MONTHS	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	OVER 5 YEARS
ASSETS							
Cash	391	391	391	-	-	-	-
Derivative assets	31	31	31	-	-	-	-
Accounts with the National Bank of Romania	105,029	105,029	105,029	-	-	-	-
Due from banks	35,653	35,653	30,653	5,000	-	-	-
Net loans	1,842,319	1,842,319	115,195	198,595	794,412	629,414	104,703
Investments in subsidary	23,073	-	-	-	-	-	-
Financial instruments trading	-	-	-	-	-	-	-
Available for sale investments	1,628,607	1,628,607	156,149	47,281	366,072	791,870	267,235
Investments held to maturity	114,025	114,025	-	-	114,025	-	-
Net tangible assets	17,832	-	-	-	-	-	-
Net intangible assets	6,463	-	-	-	-	-	-
Net investment property	35,176	-	-	-	-	-	-
Other assets	18,181	3,333	3,333	-	-	-	-
	3,826,780	**3,729,388**	**410,781**	**250,876**	**1,274,509**	**1,421,284**	**371,938**
LIABILITIES							
Derivatives	2,148	2,148	2,148	-	-	-	-
Due to banks	14,518	14,518	9,318	5,000	-	200	-
MPF Funds	1,674,859	1,674,859	274,859	-	-	1,400,000	-
Due to customers	976,374	976,374	328,253	260,291	333,864	52,846	1,120
Deferred income and accrued expenses	14,055	-	-	-	-	-	-
Provisions	17,172	-	-	-	-	-	-
Other liabilities	19,646	19,646	19,646	-	-	-	-
Deffered tax	2,632	-	-	-	-	-	-
	2,721,404	**2,687,545**	**634,224**	**265,291**	**333,864**	**1,453,046**	**1,120**
NET ASSETS	**1,105,376**	**1,041,843**	**-223,443**	**-14,415**	**940,645**	**-31,762**	**370,818**
OFF-BALANCE SHEET POSITIONS							
Loan commitments	355,114	355,114	38,660	50,356	174,642	64,226	27,230
Guarantee commitments	347,204	347,204	45,289	39,892	104,810	150,063	7,150
Cash in from derivatives	377,058	377,058	265,305	111,753	-	-	-
Cash out from derivatives	-378,977	-378,977	-265,864	-113,113	-	-	-
	700,399	**700,399**	**83,390**	**88,888**	**279,452**	**214,289**	**34,380**

The financial liabilities of 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 MONTH	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 MONTHS	OVER 5 MONTHS
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 MONTH	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**

The Financial liabilities of the The Group/Bank, at the end of financial year 2015, 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:

31.12.2015 – GROUP	TOTAL	< 1 MONTH	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	OVER 5 YEARS
FINANCIAL LIABILITIES, including future interest						
Derivative liabilities	2,148	2,148	-	-	-	-
Due to banks	14,522	9,318	5,004	-	200	-
Deposits from MPF	1,747,112	274,859	5,713	17,140	1,449,400	-
Due to customers	974,250	328,177	254,874	336,078	53,941	1,180
Other liabilities	83,176	83,176	-	-	-	-
	2,821,208	**697,678**	**265,591**	**353,218**	**1,503,541**	**1,180**

31.12.2015 - BANK	TOTAL	< 1 MONTH	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	OVER 5 YEARS
FINANCIAL LIABILITIES, including future interest						
Derivative liabilities	2,148	2,148	-	-	-	-
Deposits from MPF	14,522	9,318	5,004	-	200	-
MPF Funds	1,747,112	274,859	5,713	17,140	1,449,400	-
Due to customers	980,289	328,316	260,774	336,078	53,941	1,180
Other liabilities	19,646	19,646	-	-	-	-
	2,763,717	**634,287**	**271,491**	**353,218**	**1,503,541**	**1,180**

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

39. MARKET RISK

A. CURRENCY RISK

The currency structure of financial assets and liabilities of the Group/Bank as at December 31, 2016 is as follows:

31.12.2016 –GROUP	TOTAL	RON	EUR	USD	OTHERS
FINANCIAL 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
ASSETS	**4,338,260**	**3,657,703**	**500,377**	**173,819**	**6,361**
LIABILITIES					
	1,941	1,941	-	-	-
Derivatives	497,717	269,506	63,775	159,675	4,761
Due to banks	1,702,187	1,702,187	-	-	-
Deposits from MPF	962,939	858,309	66,161	37,815	654
Due to customers	11,962	9,490	1,789	682	1
Deferred income and accrued expenses	27,801	23,493	3,963	344	1
Provisions	91,545	88,540	2,862	67	76
Other liabilities	758	758	-	-	-
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					
	1,941	1,941	-	-	-
Derivatives	497,717	269,506	63,775	159,675	4761
Due to banks	1,702,187	1,702,187	-	-	-
Deposits from MPF	962,940	858,309	66,161	37,816	654
Due to customers	11,944	9,472	1,789	682	1
Deferred income and accrued expenses	17,214	12,906	3,963	344	1
Provisions	16,173	13,216	2,814	67	76
Other liabilities	758	758	-	-	-
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)		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**

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

The currency structure of financial assets and liabilities of the Group/Bank as at December 31, 2015:

31.12.2015 –GROUP	TOTAL	RON	EUR	USD	OTHERS
ASSETS					
Cash and cash equivalents	403	275	60	65	3
Derivative assets	31	31	-	-	-
Accounts with the National Bank of Romania	105,029	81,514	23,515	-	-
Due from banks	53,891	20,197	24,120	2,085	7,489
Net loans	1,842,319	1,520,653	245,767	75,899	-
Investments in subsidary	-	-	-	-	-
Financial instruments trading	-	-	-	-	-
Available for sale investments	1,628,607	1,510,831	117,768	8	-
Investments held to maturity	119,734	119,734	-	-	-
Net tangible assets	18,044	18,044	-	-	-
Net intangible assets	6,472	6,472	-	-	-
Net investment property	35,176	35,176	-	-	-
Other assets	68,384	67,840	361	81	102
TOTAL ASSETS	**3,878,090**	**3,380,767**	**411,591**	**78,138**	**7,594**
LIABILITIES					
Derivatives	2,148	2,148	-	-	-
Due to banks	14,518	5,007	200	4,148	5,163
Deposits from MPF	1,674,859	1,674,859	-	-	-
Due to customers	970,335	792,252	164,132	12,403	1,548
Deferred income and accrued expenses	14,059	11,415	1,702	939	3
Provisions	23,369	19,807	3,562	-	-
Other liabilities	83,176	80,338	2,724	2	112
Deffered tax	2,632	2,632	-	-	-
TOTAL LIABILITIES	**2,785,096**	**2,588,458**	**172,320**	**17,492**	**6,826**
NET, FINANCIAL ASSETS - LIABILITIES	**1,092,994**	**1,092,994**	**-**	**-**	**-**
Balance sheet position		-300,685	239,271	60,646	768
SPOT Off-balance sheet position (settled)		22,617	(22,170)	(447)	-
SPOT		**-278,068**	**217,101**	**60,199**	**768**
FORWARD		**288,441**	**(226,225)**	**(62,216)**	**-**
TOTAL		**10,373**	**(9,124)**	**(2,017)**	**768**

31.12.2015 – BANK	TOTAL	RON	EUR	USD	OTHERS
ASSETS					
Cash and cash equivalents	391	263	60	65	3
Derivative assets	31	31	-	-	-
Accounts with the National Bank of Romania	105,029	81,514	23,515	-	-
Due from banks	35,653	5,579	20,578	2,007	7,489
Net loans	1,842,319	1,520,653	245,767	75,899	-
Investments in subsidary	23,073	23,073	-	-	-
Financial instruments trading	-	-	-	-	-
Available for sale investments	1,628,607	1,510,831	117,768	8	-
Investments held to maturity	114,025	114,025	-	-	-
Net tangible assets	17,832	17,832	-	-	-
Net intangible assets	6,463	6,463	-	-	-
Net investment property	35,176	35,176	-	-	-
Other assets	18,181	17,637	361	81	102
Commissions receivable from the State	683	683	-	-	-
Other assets	17,498	16,954	361	81	102
ASSETS	**3,826,780**	**3,333,077**	**408,049**	**78,060**	**7,594**
LIABILITIES					
Derivatives	2,148	2,148	-	-	-
Due to banks	14,518	5,007	200	4148	5163
Deposits from MPF	1,674,859	1,674,859	-	-	-
Due to customers	976,374	798,278	164,136	12,412	1,548
Deferred income and accrued expenses	14,055	11,411	1,702	939	3
Provisions	17,172	13,610	3,562	-	-
Other liabilities	19,646	16,808	2,724	2	112
Deffered tax	2,632	2,632	-	-	-
TOTAL LIABILITIES	**2,721,404**	**2,524,753**	**172,324**	**17,501**	**6,826**
NET, FINANCIAL ASSETS - LIABILITIES	**1,105,376**	**1,105,376**	**-**	**-**	**-**
Balance sheet position		-297,052	235,725	60,559	768
SPOT Off-balance sheet position (settled)		22,617	(22,171)	(446)	-
SPOT		**-274,435**	**213,554**	**60,113**	**768**
FORWARD		**288,441**	**(226,225)**	**(62,216)**	**-**
TOTAL		**14,006**	**(12,671)**	**(2,102)**	**768**

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, 2016, 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	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
Others		929	-	-		929
Net position		**312,270**		**-350,854**		**-38,583**

(+)=long,(-)=short , in thousand units
**Spot position includes balance sheet open position and spot transactions to be settled in the next 2 days.*

By comparison, the position at December 31, 2015 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	47,200	213,554	-50,000	-226,225	-2,800	-12,671
USD	14,493	60,113	-15,000	-62,216	-507	-2,102
GBP	2	10	-	-	2	10
CHF	23	96	-	-	23	96
Others	-	661	-	-	-	661
Net position		**274,435**		**-288,441**		**-14,006**

(+)=long,(-)=short, in thousand units
**Spot position includes balance sheet open position and spot transactions to be settled in the next 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 31.12.2016	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**

For comparison, the position of the Bank as at December 31, 2015 is presented below:

CURRENCY	NET OPEN POSITION		EXCHANGE RATE 31.12.2015	PROFIT IMPACT		EQUITY IMPACT	
	ORIGINAL AMOUNT (THOUSANDS)	RON EQUIVALENT (THOUSANDS)		+/- 10%	+/- 20%	+/- 10%	+/- 20%
EUR	-2,800	-12,671	4.5245	-1,267	-2,534	-1,267	-2,534
USD	-507	-2,102	4.1477	-210	-420	-210	-420
GBP	2	10	6.1466	1	2	1	2
CHF	23	96	4.1797	10	19	10	19
Others	-	661	-	66	132	66	132
Net position		**-14,006**		**+/-1,401**	**+/-2,801**	**+/-1,401**	**+/-2,801**

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 31.12.2016, and as at 31.12.2015, 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:

	2016	2015
Scenario 1: +100bp (assets) /+50pb (liabilities)	12,927	13,222
Scenario 2: +50bp (assets) /+100pb (liabilities)	(17,145)	(12,970)

The Group's/Bank's average interest rates in 2016, respectively in 2015, for the main items of assets and liabilities denominated in RON, EUR and USD are presented in the table below:

	2016			2015		
	RON	EUR	USD	RON	EUR	USD
FINANCIAL ASSETS						
Accounts with the National Bank of Romania	0.07%	0.12%	-	0.19%	0.14%	-
Placements with banks	0.39%	0.07%	0.26%	0.74%	0.10%	0.05%
Loans	3.93%	4.38%	4.83%	4.79%	5.24%	3.60%
Fixed income	2.51%	1.93%	3.70%	4.01%	2.75%	-
Total assets	**3.00%**	**2.73%**	**3.53%**	**4.03%**	**3.29%**	**2.86%**
FINANCIAL LIABILITIES						
Due to banks	0.29%	-	0.49%	0.90%	0.02%	0.13%
State Funds	0.89%	-	-	1.59%	-	-
Due to customers	0.61%	0.40%	0.41%	1.14%	0.34%	0.23%
Total liabilities	**0.73%**	**0.34%**	**0.48%**	**1.41%**	**0.20%**	**0.14%**

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

The table below presents interest bearing assets and liabilities of the Group into relevant re-pricing buckets as at 31 December 2016.

31.12.2016 – THE GROUP	TOTAL	OF WHICH: INTEREST RATE RISK	≤1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS
FINANCIAL 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
Financial instruments trading	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**

31.12.2016 – THE BANK	TOTAL	OF WHICH: INTEREST RATE RISK	≤1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS
ACTIVE							
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 subsidiaries	29,432	-	-	-	-	-	-
Financial instruments trading	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	-	-	-	-	-	-	-
Net tangible assets	14,080	-	-	-	-	-	-
Net intangible assets	5,940	-	-	-	-	-	-
Net investment property	39,269	-	-	-	-	-	-
Other asstes	23,572	-	-	-	-	-	-
TOTAL 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.

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

The table below presents interest bearing assets and liabilities of the Group into relevant re-pricing groupings as at 31 December 2015.

31.12.2015 – GROUP	TOTAL	OF WHICH: INTEREST RATE RISK	≤1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS
ASSETS							
Cash and cash equivalents	403	-	-	-	-	-	-
Derivatives	31	-	-	-	-	-	-
Accounts with the National Bank of Romania	105,029	105,029	105,029	-	-	-	-
Due from banks	53,891	53,891	41,555	9,676	2,528	132	-
Loans and advances tu customers, net	1,842,319	1,842,319	537,636	1,062,259	238,338	4,086	-
Available for sale investments	1,628,607	1,628,440	71,482	47,299	370,415	831,942	307,302
Investments held to maturity	119,734	119,734	-	-	114,047	5,687	-
Net tangible assets	18,044	-	-	-	-	-	-
Net intangible assets	6,472	-	-	-	-	-	-
Net investment property	35,176	-	-	-	-	-	-
Other assets	68,384	-	-	-	-	-	-
TOTAL ASSETS	**3,878,090**	**3,749,413**	**755,702**	**1,119,234**	**725,328**	**841,847**	**307,302**
LIABILITIES							
Derivatives	2,148	-	-	-	-	-	-
Due to banks	14,518	14,518	9,311	5,007	-	200	-
Deposits from MPF	1,674,859	1,674,859	1,674,859	-	-	-	-
Due to customers	970,335	969,536	327,162	254,614	333,794	52,846	1,120
Deferred income and accrued expenses	14,059	-	-	-	-	-	-
Provisions	23,369	-	-	-	-	-	-
Other liabilities	83,176	-	-	-	-	-	-
Deffered tax	2,632	-	-	-	-	-	-
TOTAL LIABILITIES	**2,785,096**	**2,658,913**	**2,011,332**	**259,621**	**333,794**	**53,046**	**1,120**
NET ASSETS	**1,092,994**	**1,090,500**	**-1,255,630**	**859,613**	**391,534**	**788,801**	**306,182**

31.12.2015 – BANK	TOTAL	OF WHICH: INTEREST RATE RISK	≤1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS
ASSETS							
Cash and cash equivalents	391	-	-	-	-	-	-
Derivatives	31	-	-	-	-	-	-
Accounts with the National Bank of Romania	105,029	105,029	105,029	-	-	-	-
Due from banks	35,653	35,653	30,645	5,008	-	-	-
Loans and advances tu customers, net	1,842,319	1,842,319	537,636	1,062,259	238,338	4,086	-
Investments in subsidary	23,073	-	-	-	-	-	-
Available for sale investments	1,628,607	1,628,440	71,482	47,299	370,415	831,942	307,302
Investments held to maturity	114,025	114,025	-	-	114,025	-	-
Net tangible assets	17,832	-	-	-	-	-	-
Net intangible assets	6,463	-	-	-	-	-	-
Net investment property	35,176	-	-	-	-	-	-
Other assets	18,181	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	**3,826,780**	**3,725,466**	**744,792**	**1,114,566**	**722,778**	**836,028**	**307,302**
LIABILITIES							
Derivatives	2,148	-	-	-	-	-	-
Due to banks	14,518	14,518	9,311	5,007	-	200	-
Deposits from MPF	1,674,859	1,674,859	1,674,859	-	-	-	-
Due to customers	976,374	975,575	327,273	260,542	333,794	52,846	1,120
Deferred income and accrued expenses	14,055	-	-	-	-	-	-
Provisions	17,172	-	-	-	-	-	-
Other liabilities	19,646	-	-	-	-	-	-
Deffered tax	2,632	-	-	-	-	-	-
TOTAL LIABILITIES	**2,721,404**	**2,664,952**	**2,011,443**	**265,549**	**333,794**	**53,046**	**1,120**
NET ASSETS	**1,105,376**	**1,060,514**	**-1,266,651**	**849,017**	**388,984**	**782,982**	**306,182**

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, 2016, the own funds ratio was of 48%, above the NBR and European Banking Authority requirements.

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 size 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 Bank has complied the capital adequacy ratio (regulatory total own funds ratio of at least 8%, a rate of Tier I of at least 6% and a ratio of CET I of 4.5%).

The capital requirements of the subsidiary EximAsig were calculated based on standards set by the European Directive Solvency II as at December 31, 2016. According to the unaudited calculation and estimate of the Company's management, based on Law no.237/2015 (transposing from 1 January 2016 Solvency II requirements in local legislation), on 31 December 2016, the company showed a coverage of minimum capital requirements of 77% and 47% Solvency II capital requirements ratio. On 31 December 2015, the Company has complied regulatory requirements under Solvency I in force at that date.

The decline of solvency ratio and coverage of the minimum capital were driven mainly by the insolvency of strategic customers from loans and guarantees business line, leading to reduction of equity following the increase in technical reserves and hence higher capital requirements.

Between year-end and the date of these financial statements, it was initiated the procedure for the reinstatement of solvency ratios of the company EximAsig.

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.

EXPORT - IMPORT BANK OF ROMANIA – EXIMBANK SA
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT for the financial exercise closed as at 31st december 2016
(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:

THE GROUP - 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 tu customers, net	-	-	2,128,068	2,128,068	2,159,979
Financial instruments trading	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	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**

THE GROUP - 31 DECEMBER 2015	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE	BOOK VALUE
Financial assets					
Accounts with the National Bank of Romania	-	-	105,029	105,029	105,029
Due from banks	-	-	53,891	53,891	53,891
Loans and advances tu customers, net	-	-	1,826,999	1,826,999	1,842,319
Financial instruments trading	-	-	-	-	-
Available for sale investments	1,550,946	77,661	-	1,628,607	1,628,607
Investments held to maturity	122,083	-	-	122,083	119,734
Total financial assets	**1,673,029**	**77,661**	**1,985,919**	**3,736,609**	**3,749,580**
Financial liabilities					
Due to banks	-	-	14,518	14,518	14,518
Deposits from MPF	-	-	1,674,859	1,674,859	1,674,859
Derivatives	-	-	2,148	2,148	2,148
Due to customers	-	-	970,335	970,335	970,335
Total financial liabilities	**-**	**-**	**2,661,860**	**2,661,860**	**2,661,860**

At the Bank level, the fair value of financial assets and liabilities is presented below:

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 tu customers, net	-	-	2,128,068	2,128,068	2,159,979
Financial instruments trading	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**

THE BANK - 31 DECEMBER 2015	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE	BOOK VALUE
Active financiare					
Accounts with the National Bank of Romania	-	-	105,029	105,029	105,029
Due from banks	-	-	35,653	35,653	35,653
Loans and advances tu customers, net	-	-	1,826,999	1,826,999	1,842,319
Financial instruments trading	-	-	-	-	-
Available for sale investments	1,550,946	77,661	-	1,628,607	1,628,607
Investments held to maturity	116,223	-	-	116,223	114,025
Total financial assets	1,667,169	77,661	1,967,681	3,712,511	3,725,633
Financial liabilities					
Due to banks	-	-	14,518	14,518	14,518
Deposits from MPF	-	-	1,674,859	1,674,859	1,674,859
Derivatives	-	-	2,148	2,148	2,148
Due to customers	-	-	976,374	976,374	976,374
Total financial liabilities	**-**	**-**	**2,667,899**	**2,667,899**	**2,667,899**

No transfers between levels took place in the analyzed period.

EXPORT - IMPORT BANK OF ROMANIA – EXIMBANK SA
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENT for the financial exercise closed as at 31st december 2016
(all amounts are expressed in thousand RON ("RON'000"), unless otherwise specified)

The following methods and assumptions were used to estimate the fair value of the Bank's financial instruments:

Financial assets

For loans and advances to banks, the amortized cost is estimated as the approximation of fair value, representing short term deposits with interest rates which reflect current market conditions, and no transaction costs.

The amortized cost of treasury bills held to maturity was not significantly different form the quoted rate. Taking into account the fact that the Bank's loan portfolio has a variable interest, linked to EURIBOR/ROBOR 3M/6M, its book value represents a good estimation of fair value.

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, 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
Director – Strategic Customers and Project Funding Department	Agency Director

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

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.

31.12.2016 - 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
Investment 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	-	19
Interest expense	-	-15,136	-556	-71	-	-15,763
Commission income	-	4,540	10	-	-	4,550
Commission expense	-	-	-	-	-	-1
Short term benefits	-13,374	-	-	-	-	-13,374
	-13,374	**-10,596**	**-546**	**-53**	**-**	**-24,569**

31.12.2015 - 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	-	-	-	-	528	528
Investments in subsidiary	-	-	-	-	-	-
State commission receivable	-	683	-	-	-	683
TOTAL ASSETS	**-**	**683**	**-**	**-**	**528**	**1,211**
State funds	-	1,674,859	-	-	-	1,674,859
Deposits from customers - total	-	0	75,289	-	-	75,289
TOTAL LIABILITIES	**-**	**1,674,859**	**75,289**	**-**	**-**	**1,750,148**
Interest income	-	-	-	244	1	245
Interest expense	-	-26,266	-280	-12	-	-26,558
Commission income	-	7,880	-	-	-	7,880
Commission expense	-	-	-	-	-	-
Short term benefits	-16,873	-	-	-	-	-16,873
	-16,873	**-18,386**	**-280**	**232**	**1**	**-35,306**

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	-	19
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**

31.12.2015 - 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	-	-	-	-	-	528	528
Investment in subsidiary	-	41,366	-	-	-	-	41,366
State commission receivable	-	-	683	-	-	-	683
TOTAL ASSETS	**-**	**41,366**	**683**	**-**	**-**	**528**	**42,577**
State funds	-	-	1,674,859	-	-	-	1,674,859
Deposits from customers - total	-	6,039	-	75,289	-	-	81,328
TOTAL LIABILITIES	**-**	**6,039**	**1,674,859**	**75,289**	**-**	**-**	**1,756,187**
Interest income	-	-	-	-	244	1	245
Interest expense	-	-31	-26,266	-280	-12	-	-26,589
Commission income	-	-	7,880	-	-	-	7,880
Commission expense	-	-	-	-	-	-	-
Short term benefits	-15,704	-	-	-	-	-	-15,704
	-15,704	**-31**	**-18,386**	**-280**	**232**	**1**	**-34,168**

43. SUBSEQUENT EVENTS

The Bank adjusted its financial statements following to the subsequent events occurred after the balance sheet date; as such it has recognized an additional impairment for loans and advances to customers amounting to RON 26,016 thousand, by decreasing the value of its shareholders' equity and its comprehensive income.

The Bank has started the dilligence to increase the share capital of its subsidiary - EximAsig for a maximum amount of 20 million lei, in view of compliance with the minimum capital ratio and solvency requirements.

Excepting the above presented facts, during 2017 until signing these financial statements, there were no other significant subsequent events which could have impacted the financial statements.

Traian Sorin Halalai I **Chief Executive Officer**

Lidia Stan I **Chief Financial Officer**

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