



Banca Comerciala Romana S.A.
Interim Condensed Financial Statements
Consolidated and Separate - Unaudited

30 June 2017

**Prepared in accordance with
IAS 34 „Interim Financial Reporting”**

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STATEMENT

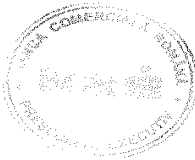
Regarding the semi-annual report for the first semester 2017

In accordance with the provisions of NSC Regulation no. 1/2006 art. 113 lt. D par. (1) lt. c), with subsequent amendments, we, Sergiu Manea, as Executive President of Banca Comerciala Romana SA and Adriana Jankovicova, as Executive Vice-President of Banca Comerciala Romana SA, state that:

- a) To the best of our knowledge, the semi-annual consolidated and separate financial statements drawn up in accordance with applicable financial reporting standards provide for a correct and accurate image of the assets, liabilities, statement of financial position and statement of comprehensive income of Banca Comerciala Romana SA. and its subsidiaries included in the consolidation perimeter.
- b) The consolidated and separate report of the Supervisory Board reflects in a correct and accurate manner the information on Banca Comerciala Romana SA and its subsidiaries included in the consolidation perimeter.

Executive President,

Sergiu Manea



Executive Vice-President,

Adriana Jankovicova



BANCA COMERCIALA ROMANA S.A.

Report date:	June 30, 2017
Company name:	Banca Comerciala Romana SA
Head quarter:	5th Blvd. Regina Elisabeta, District 3, Bucharest
Sole registration no with Trade Office:	361757
No. with Trade Register:	J40/90/1991
Paid-in capital:	1,625,341,625.4 RON
Market operator:	Luxembourg Stock Exchange

Banca Comerciala Romana Group

REPORT OF THE MANAGEMENT BODIES (SUPERVISORY BOARD AND EXECUTIVE COMMITTEE)

Consolidated and Separate - Unaudited

For the six months period ended 30 June 2017



BCR results for half year 2017: RON 305 million net profit, RON 4.1 billion new loans extended; NPL ratio drops to 11%

Highlights¹:

- **On the back of a RON 729.8 million (EUR 160.9 million) operating result, H1 2017 net profit stood at RON 305 million (EUR 67.4 million), supported by solid operational result and continuous improvement of portfolio quality;**
- **NPL ratio decreased to 11% compared to 14% in June 2016 and 23.1% in June 2015, as result of sustained efforts to improve performing portfolio quality;**
- **NPL provision coverage ratio improved to a very comfortable level of 92.1%, as of June 2017;**
- **Expenses decreased by 7.6% compared to the same period of the previous year;**
- **New loan production continues to be solid: RON 4.1 billion new retail and corporate loans on the balance sheet.**
- **The capital position of the bank remains strong to support further sustainable business growth. BCR's solvency ratio stood at 23.75% as of June 2017 (BCR standalone), while Tier 1 + 2 capital (BCR Group) was very solid at RON 7.5 billion as of June 2017**

„Trust is the word defining BCR's evolution over the past year. Our trust comes from increasing number of clients and a closer relationship to them. Our trust also comes from the active involvement in the community along the important themes for Romania. All these are backed by a continuous improvement of our balance sheet and the sustainable development of the bank, which we target to maintain in the future. BCR today enjoys substantial capitalization, excellent liquidity and especially an unmatched expertise to support the most relevant projects for infrastructure financing, for servicing companies, for increasing quality of life for people across Romania and, in general, to create trust capital in the economy. From this perspective I am particularly pleased for the fact that BCR has put forward the best financial offer for Start-up Nation, the program to support Romania's entrepreneurial ecosystem, of which results I am looking forward to.

In an environment dominated by changes and unpredictable developments, BCR remains an anchor for long term engagements. BCR's mission is to offer sustainable solutions for the financial life of Romanians. We thank our clients, our employees and our shareholders for offering us their trust so that we can build together prosperity and potential for Romania,” BCR CEO, Sergiu Manea, stated.

¹ Unless otherwise stated, financial results for H1 2017 are compared to financial results for H1 2016. Also, if not stated otherwise, foreign exchange rates used for conversion of figures into EURO are the ones provided by the European Central Bank. The income statement is converted using the average exchange rate for H1 2017 of 4.5381 RON/EUR when referring to the first six months of 2017 results and using the average exchange rate for H1 2016 of 4.4950 RON/EUR when referring to the first six months of 2016 results. The balance sheets at 30 June 2017 and at 31 December 2016 are converted using the closing exchange rates at the respective dates (4.5523 RON/EUR at 30 June 2017 and 4.5390 RON/EUR at 31 December 2016, respectively). All the percentage changes refer to RON figures.



H1 2017 commercial and financial highlights

Banca Comercială Română (BCR) in H1 2017 achieved a strong **net profit of RON 305 million (EUR 67.4 million)**, supported by operating performance and continued improvement of portfolio quality. Compared to the same period last year, net profit declined mainly due to base effect from significant gain following the sale of certain participations coupled with risk provision releases generated by recoveries from non-performing loans booked in the first half of 2016.

The operating result stood at RON 729.8 million (EUR 160.9 million), 3.6% higher than the previous year, at RON 704.7 (EUR 156.8), mainly due to lower operating expenses.

In bank retail business, BCR granted **new loans in amount of RON 2.6 billion** with solid sales of both unsecured and secured loans. Secured loans have been consistently backed by the *Prima Casă* Program on the basis of the new funds allocated.

In bank corporate business, **new volumes added on the balance sheet totalled RON 1.5 billion**. Co-financing of EU funded projects was also solid with BCR holding over 30% market share and a **portfolio of over RON 7.74 billion co-financed**. The corporate book growth is further supported by a solid pipeline of better quality new business, particularly in **overdraft, working capital and production and supply chain financing**.

Net interest income was down by 6%, to **RON 878.73 million** (EUR 193.71 million), from RON 934.7 million (EUR 208 million) in H1 2016, on the back of continued NPL portfolio resolution and a low interest rate environment.

Net fee income decreased by 4.3%, to **RON 338.88 million** (EUR 74.7 million), from RON 354.1 million (EUR 78.8 million) in H1 2016, mainly driven by lower transaction banking fees.

Net trading result increased by 21.3%, to **RON 189.60 million** (EUR 41.80 million), from RON 156.3 million (EUR 34.8 million) in H1 2016 mainly due to the positive effect from revaluation of FX participations.

The **operating income** decreased by 2.3% to **RON 1,439.53 million** (EUR 317.33 million) from RON 1,473.0 million (EUR 327.7 million) in H1 2016, mainly driven by reduced net interest income and lower commission income partly compensated by higher trading result.

General administrative expenses in H1 2017 dropped by 7.6% to RON 709.65 million (EUR 156.43 million) from RON 768.4 million (EUR 170.9 million) in H1 2016 mainly impacted by methodology adjustments for booking contribution to the bank deposit insurance fund.

Risk costs and Asset Quality

In terms of **net charge of impairments on financial assets not measured at fair value through profit and loss** BCR recorded a provision of **RON 61.6 million** (EUR 13.6 million) in H1 2017, versus a net risk provisions release of RON 69.3 million (EUR 15.4 million) in H1 2016, while continuing efforts to improve the quality of the portfolio.

NPL ratio² at 11%, as of 30 June 2017, significantly decreased from 14% as of 30 June 2016 and 23.1% as of 30 June 2015, due to reduction of the NPL book, driven by recoveries, sales of NPL portfolios and write-offs. **NPL provision coverage ratio improved to 92.1%**, while, collateral included, it comfortably stood at 125.3%.

Capital position and funding

Solvency ratio under local standards (BCR standalone) as of June 2016 stood at **23.75%**, well above the regulatory requirements of the National Bank of Romania. Also, IFRS **Tier 1+2 capital ratio of 22.29%** (BCR Group), as of June 2017, is clearly showing BCR's strong capital adequacy and continuing support of Erste Group. In this respect, BCR enjoys one of the strongest capital and funding positions amongst Romanian banks.

² Starting Dec-14 the ratio is reported in compliance with draft EBA NPE definition.



BCR will continue to maintain high solvency ratio, proving its ability and commitment to support sustainable quality of lending growth in both Retail and Corporate, further reinforcing core revenue generating capacity.

Loans and receivable to customers increased by 0.5% to **RON 32,437 million** at 30 June 30 2017, from RON 32,291 million at 31 December 2016, as a result of increased lending volumes on the retail segment.

Deposits from customers decreased by 2.1% to **RON 47,208.1 million** (EUR 10,370.2 million) at 30 June 2017, versus RON 48,235.2 million (EUR 10,626.8 million) at 31 December 2016, due to a decrease in corporate deposits. Customer deposits remain BCR's main funding source, while the bank benefits from diversified funding sources, including parent company.

BCR plans to keep focus on RON lending, so as to reverse the currency mix of the loan book in favour of local currency on medium to long term and fully use the strong self-funding capacity in RON.

Banca Comerciala Romana (BCR), a member of Erste Group, is the most important financial group in Romania, including operations of universal bank (retail, corporate & investment banking, treasury and capital markets), as well as specialized companies on the leasing market, private pensions, housing banks and banking services. BCR is No. 1 bank in Romania on the assets value (over EUR 14.8 billion), No. 1 Bank by number of clients and No. 1 bank by savings and financing segments. BCR is the most valuable financial brand from Romania, considering the degree of trust of the clients and the number of people for whom BCR is the main banking institution.

BCR offers a complete range of products and financial services through a network of 22 business centres and 18 mobile offices for companies and 514 retail units located in major cities across the country with over 10,000 inhabitants. BCR is the No. 1 bank in Romania on the bank transaction market, BCR clients having available the largest national network of ATMs (over 2,000 ATMs) and POSs (over 15,200 card payment terminals to merchants), as well as full service Internet banking, Mobile Banking, Phone-banking and E-commerce.

CHAIRMAN
OF THE SUPERVISORY BOARD
MANFRED WIMMER



Executive President,
Sergiu Manea

Executive Vice-President,
Adriana Jankovicova



Appendix I - CONSOLIDATED INCOME STATEMENT for H1 2017 (IFRS)

	RON 000 Jun-16	RON 000 Jun-17	□ (%)
Net interest income	934,744	878,728	-6.0%
Net fee and commission income	354,122	338,877	-4.3%
Dividend income	2,300	3,584	55.8%
Net trading and fair value result	156,272	189,602	21.3%
Net result from equity method investments	903	(225)	>100%
Rental income from investment properties & other operating lease	24,702	28,962	17.2%
Personnel expenses	(366,491)	(343,044)	-6.4%
Other administrative expenses	(316,589)	(273,367)	-13.7%
Depreciation and amortization	(85,313)	(93,241)	9.3%
Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	110,235	79	-99.9%
Net impairment loss on financial assets not measured at fair value through profit or loss	69,275	(61,622)	>100%
Other operating result	(111,741)	(186,033)	66.5%
Pre-tax profit from continuing operations	772,420	482,301	-37.6%
Taxes on income	(136,236)	(178,214)	30.8%
Post-tax profit from continuing operations	636,184	304,087	-52.2%
Profit from discontinued operations net of tax	-	-	
NET PROFIT OF THE YEAR	636,184	304,087	-52.2%
Attributable to non-controlling interests	168	(1,539)	>100%
ATTRIBUTABLE TO OWNERS OF THE PARENT	636,016	305,625	-51.9%



Appendix II - Consolidated statement of financial position (IFRS) as at 30 June 2017

	RON 000 Dec-16	RON 000 Jun-17	□ (%)
ASSETS			
Cash and cash balances	11,911,895	9,433,311	-20.8%
Financial assets - held for trading	633,199	572,143	-9.6%
Derivatives	73,486	56,418	-23.2%
Other trading assets	559,713	515,724	-7.9%
Financial assets designated at fair value through profit or loss	15,319	15,870	3.6%
Financial assets - available for sale	5,574,087	7,342,349	31.7%
Financial assets - held to maturity	13,904,201	13,634,178	-1.9%
Loans and receivables to credit institutions	552,830	44,920	-91.9%
Loans and receivables to customers	32,291,134	32,437,632	0.5%
Property, plant and equipment	1,472,604	1,474,565	0.1%
Investment properties	422	384	-9.0%
Intangible assets	289,304	293,112	1.3%
Investments in joint ventures and associates	16,568	16,343	-1.4%
Current tax assets	162,480	155,935	-4.0%
Deferred tax assets	322,508	146,348	-54.6%
Non-current assets and disposal groups classified as held for sale	2,292	2,292	0.0%
Other assets	365,730	367,854	0.6%
TOTAL ASSETS	67,514,573	65,937,236	-2.3%
LIABILITIES			
Financial liabilities held for trading	38,391	52,458	36.6%
Derivatives	38,391	52,458	36.6%
Financial liabilities measured at amortized costs	59,236,059	57,274,824	-3.3%
Deposits from banks	9,654,673	8,947,457	-7.3%
Deposits from customers	48,235,198	47,208,093	-2.1%
Debt securities issued	637,192	559,992	-12.1%
Other financial liabilities	708,996	559,281	-21.1%
Provisions	1,104,102	1,157,950	4.9%
Current tax liabilities	1,262	275	-78.2%
Deferred tax liabilities	3,966	2,607	-34.3%
Other Liabilities	326,404	321,111	-1.6%
Total equity	6,804,389	7,128,011	4.8%
attributable to non-controlling interest	25,397	22,228	-12.5%
attributable to owners of the parent	6,778,992	7,105,783	4.8%
TOTAL LIABILITIES AND EQUITY	67,514,573	65,937,236	-2.3%



Appendix III - STANDALONE INCOME STATEMENT for H1 2017 (IFRS)

	RON 000 Jun-16	RON 000 Jun-17	□ (%)
Net interest income	904,272	833,152	-7.9%
Net fee and commission income	336,575	320,373	-4.8%
Dividend income	4,426	19,302	>100%
Net trading and fair value result	153,744	186,031	21.0%
Rental income from investment properties & other operating lease	562	5,020	>100%
Personnel expenses	(331,864)	(307,393)	-7.4%
Other administrative expenses	(387,745)	(283,908)	-26.8%
Depreciation and amortization	(55,171)	(70,011)	26.9%
Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net	110,235	79	-99.9%
Net impairment loss on financial assets not measured at fair value through profit or loss	47,683	(55,970)	>100%
Other operating result	(79,650)	(212,586)	>100%
Pre-tax profit from continuing operations	703,067	434,089	-38.3%
Taxes on income	(128,442)	(176,101)	37.1%
Post-tax profit from continuing operations	574,625	257,988	-55.1%
Profit from discontinued operations net of tax	-	-	
NET PROFIT OF THE YEAR	574,625	257,988	-55.1%

Appendix IV - Standalone statement of financial position (IFRS) as at 30 June 2017

	RON 000 Dec-16	RON 000 Jun-17	□ (%)
ASSETS			
Cash and cash balances	11,648,878	9,326,864	-19.9%
Financial assets - held for trading	633,199	572,143	-9.6%
Derivatives	73,486	56,418	-23.2%
Other trading assets	559,713	515,725	-7.9%
Financial assets designated at fair value through profit or loss	15,319	15,870	3.6%
Financial assets - available for sale	4,845,303	6,564,164	35.5%
Financial assets - held to maturity	12,386,197	12,278,461	-0.9%
Loans and receivables to credit institutions	651,414	216,304	-66.8%
Loans and receivables to customers	31,162,509	31,121,771	-0.1%
Property, plant and equipment	1,158,548	1,136,609	-1.9%
Intangible assets	280,699	284,762	1.4%
Investments in joint ventures and associates	7,509	7,509	0.0%
Current tax assets	159,029	153,855	-3.3%
Deferred tax assets	310,554	135,546	-56.4%
Non-current assets and disposal groups classified as held for sale	2,292	2,292	0.0%
Other assets	806,775	788,100	-2.3%
TOTAL ASSETS	64,068,225	62,604,250	-2.3%
LIABILITIES			
Financial liabilities held for trading	38,391	52,458	36.6%
Derivatives	38,391	52,458	36.6%
Financial liabilities measured at amortized cost	55,825,328	54,020,918	-3.2%
Deposits from banks	9,125,095	8,355,225	-8.4%
Deposits from customers	45,354,909	44,549,510	-1.8%
Debt securities issued	637,192	559,992	-12.1%
Other financial liabilities	708,132	556,191	-21.5%
Provisions	1,069,547	1,118,565	4.6%
Other Liabilities	242,726	234,816	-3.3%
Total equity	6,892,233	7,177,493	4.1%
TOTAL LIABILITIES AND EQUITY	64,068,225	62,604,250	-2.3%

STATEMENT OF COMPREHENSIVE INCOME

Group and Parent Bank

As at 30 June 2017

Income statement	Group		Bank		
	30.06.2016	30.06.2017	30.06.2016	30.06.2017	
in RON thousands					
Net interest income	11	934,744	878,728	904,272	833,152
Net fee and commission income	12	354,122	338,877	336,575	320,373
Dividend income		2,300	3,584	4,426	19,302
Net trading and fair value result	13	156,272	189,602	153,744	186,031
Net result from equity method investments		903	(225)	-	-
Rental income from investment properties and other operating lease		24,702	28,962	562	5,020
Personnel expenses	14	(366,491)	(343,044)	(331,864)	(307,393)
Other administrative expenses	14	(316,589)	(273,367)	(387,745)	(283,908)
Depreciation and amortisation		(85,313)	(93,241)	(55,171)	(70,011)
Gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss, net	15	110,235	79	110,235	79
Net impairment loss on financial assets not measured at fair value through profit or loss	16	69,275	(61,622)	47,683	(55,970)
Other operating result	17	(111,740)	(186,032)	(79,650)	(212,586)
Pre-tax profit from continuing operations		772,420	482,301	703,067	434,089
Taxes on income	18	(136,236)	(178,214)	(128,442)	(176,101)
Post-tax profit from continuing operations		636,184	304,087	574,625	257,988
NET PROFIT OF THE YEAR		636,184	304,087	574,625	257,988
Attributable to non-controlling interests		168	(1,539)	-	-
ATTRIBUTABLE TO OWNERS OF THE PARENT		636,016	305,626	574,625	257,988

Statement of comprehensive income	Group		Bank		
	30.06.2016	30.06.2017	30.06.2016	30.06.2017	
in RON thousands					
Net result for the period		636,184	304,087	574,625	257,988
Other comprehensive income					
Items that may not be reclassified to profit or loss					
Remeasurement of net gain (losses) on benefit plans	(21)	(30)	-	-	-
Deferred taxes relating to items that may not be reclassified	-	5	-	-	-
Total	(21)	(25)	-	-	-
Items that may be reclassified to profit or loss					
Available for sale reserve	(143,355)	21,954	(135,174)	32,467	
Gain/(loss) during the period	(33,120)	21,467	(24,939)	31,980	
Reclassification adjustments	(110,235)	487	(110,235)	487	
Currency translation	(2,226)	1,157	-	-	
Gain/(loss) during the period	(2,226)	1,157	-	-	
Deferred taxes relating to items that may be reclassified	23,010	(3,551)	21,628	(5,195)	
Gain/(loss) during the period	23,010	(3,551)	21,628	(5,195)	
Total	(122,571)	19,560	(113,546)	27,272	
Total other comprehensive income	(122,592)	19,535	(113,546)	27,272	
Total comprehensive income	513,592	323,622	461,079	285,260	
Total comprehensive income attributable to non-controlling interests	(1,284)	(3,169)	-	-	
Total comprehensive income attributable to owners of the parent	514,876	326,791	461,079	285,260	

The interim condensed consolidated financial statements were approved by the Executive Committee on 17 August 2017.

AUTHORISED PERSON

Name and first name
Signature

Executive Vice-President

Adriana Jankovicova



AUTHORISED PERSON

Name and first name
Signature

Executive Accounting Director

Gina Badea



STATEMENT OF FINANCIAL POSITION
Group and Parent Bank
As at 30 June 2017

Statement of financial position	Note	Group		Bank	
		31.12.2016	30.06.2017	31.12.2016	30.06.2017
in RON thousands					
ASSETS					
Cash and cash balances	3	11,911,895	9,433,311	11,648,878	9,326,864
Financial assets - held for trading		633,199	572,143	633,199	572,143
Derivatives		73,486	56,418	73,486	56,418
Other trading assets		559,713	515,725	559,713	515,725
Financial assets designated at fair value through profit or loss		15,319	15,870	15,319	15,870
Financial assets - available for sale	4	5,574,087	7,342,349	4,845,303	6,564,164
Financial assets - held to maturity		13,904,201	13,634,178	12,386,197	12,278,461
Loans and receivables to credit institutions	5	552,830	44,920	651,414	216,304
Loans and receivables to customers	6	32,291,134	32,437,632	31,162,509	31,121,771
Property and equipment		1,472,604	1,474,565	1,158,548	1,136,609
Investment properties		422	384	-	-
Intangible assets		289,304	293,112	280,699	284,762
Investments in associates		16,568	16,343	7,509	7,509
Current tax assets		162,480	155,935	159,029	153,855
Deferred tax assets		322,508	146,348	310,554	135,546
Non-current assets and disposal groups classified as held for sale		2,292	2,292	2,292	2,292
Other assets		365,730	367,854	806,775	788,100
TOTAL ASSETS		67,514,573	65,937,236	64,068,225	62,604,250
LIABILITIES					
Financial liabilities held for trading		38,391	52,458	38,391	52,458
Derivatives		38,391	52,458	38,391	52,458
Financial liabilities measured at amortised costs		59,236,059	57,274,824	55,825,328	54,020,918
Deposits from banks	7	9,654,673	8,947,457	9,125,095	8,355,225
Deposits from customers	8	48,235,198	47,208,094	45,354,909	44,549,510
Debt securities issued	9	637,192	559,992	637,192	559,992
Other financial liabilities		708,996	559,281	708,132	556,191
Provisions	10	1,104,102	1,157,950	1,069,547	1,118,565
Current tax liabilities		1,262	275	-	-
Deferred tax liabilities		3,966	2,607	-	-
Other Liabilities		326,404	321,111	242,726	234,816
Total equity		6,804,389	7,128,011	6,892,233	7,177,493
attributable to non-controlling interest		25,397	22,228	-	-
attributable to owners of the parent		6,778,992	7,105,783	6,892,233	7,177,493
TOTAL LIABILITIES AND EQUITY		67,514,573	65,937,236	64,068,225	62,604,250

The interim condensed consolidated financial statements were approved by the Executive Committee on 17 August 2017.

AUTHORISED PERSON

Name and first name

Signature

Executive Vice-President

Adriana Jankovicova



AUTHORISED PERSON

Name and first name

Signature

Executive Accounting Director

Gina Badea





STATEMENT OF CHANGES IN EQUITY

Group and Parent Bank

As at 30 June 2017

											30.06.2016	Group
in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserves	Available for sale reserve	Currency translation reserve	Actuarial (gains)/loss	Deferred tax	Total owners of the parent	Equity attributable to non-controlling interests	Total	
Total equity as of 01.01.2016	2,952,565	395,483	940,776	1,124,463	464,443	(25,045)	77,970	(86,652)	5,844,003	31,282	5,875,285	
Total comprehensive income	-	-	636,016	-	(141,627)	(2,226)	(21)	22,734	514,876	(1,284)	513,592	
Net profit/loss for the period	-	-	636,016	-	-	-	-	-	636,016	168	636,184	
Statement of comprehensive income	-	-	-	-	(141,627)	(2,226)	(21)	22,734	(121,140)	(1,452)	(122,592)	
Total equity as of 30.06.2016	2,952,565	395,483	1,576,792	1,124,463	322,816	(27,271)	77,949	(63,918)	6,358,879	29,998	6,388,877	
											30.06.2017	Group
in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserves	Available for sale reserve	Currency translation reserve	Actuarial (gains)/loss	Deferred tax	Total owners of the parent	Equity attributable to non-controlling interests	Total	
Total equity as of 01.01.2017	2,952,565	395,483	1,977,946	1,130,670	334,403	(23,541)	77,316	(65,850)	6,778,992	25,397	6,804,389	
Total comprehensive income	-	-	305,626	-	23,896	1,157	(30)	(3,858)	326,791	(3,169)	323,622	
Net profit/loss for the period	-	-	305,626	-	-	-	-	-	305,626	(1,539)	304,087	
Statement of comprehensive income	-	-	-	-	23,896	1,157	(30)	(3,858)	21,165	(1,630)	19,535	
Total equity as of 30.06.2017	2,952,565	395,483	2,283,572	1,130,670	358,299	(22,384)	77,286	(69,708)	7,105,783	22,228	7,128,011	
											30.06.2016	Bank
in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserves	Available for sale reserve	Currency translation reserve	Actuarial (gains)/loss	Deferred tax	Total			
Total equity as of 01.01.2016	2,952,565	395,483	1,243,182	1,124,463	430,635	-	78,049	(81,390)	6,142,987		6,142,987	
Total comprehensive income	-	-	574,625	-	(135,174)	-	-	21,628	461,079		461,079	
Net profit/loss for the period	-	-	574,625	-	-	-	-	-	574,625		574,625	
Statement of comprehensive income	-	-	-	-	(135,174)	-	-	21,628	(113,546)		(113,546)	
Total equity as of 30.06.2016	2,952,565	395,483	1,817,807	1,124,463	295,461	-	78,049	(59,762)	6,604,066		6,604,066	
											30.06.2017	Bank
in RON thousands	Subscribed capital	Share premium	Retained earnings	Other reserves	Available for sale reserve	Currency translation reserve	Actuarial (gains)/loss	Deferred tax	Total			
Total equity as of 01.01.2017	2,952,565	395,483	2,083,989	1,130,670	314,895	-	77,396	(62,765)	6,892,233		6,892,233	
Total comprehensive income	-	-	257,988	-	32,467	-	-	(5,195)	285,260		285,260	
Net profit/loss for the period	-	-	257,988	-	-	-	-	-	257,988		257,988	
Statement of comprehensive income	-	-	-	-	32,467	-	-	(5,195)	27,272		27,272	
Total equity as of 30.06.2017	2,952,565	395,483	2,341,977	1,130,670	347,362	-	77,396	(67,960)	7,177,493		7,177,493	



BCR
STATEMENT OF CASHFLOW
Group and Parent Bank
As at 30 June 2017

	Group		Bank	
in RON thousands	30.06.2016	30.06.2017	30.06.2016	30.06.2017
Net result for the period	636,184	304,087	574,625	257,988
Non-cash adjustments for items in net profit/loss for the year				
Depreciation, amortisation, impairment and reversal of impairment, revaluation of assets	85,313	93,241	55,171	70,011
Net impairment loss on financial assets not measured at fair value through profit or loss	516,164	81,339	490,836	64,386
Other adjustments	169,803	242,289	149,007	277,567
Other provisions	(20,224)	52,081	(21,633)	46,828
Impairment of subsidiaries	-	-	-	50,400
Deferred tax and current tax not paid	136,236	178,214	128,442	176,101
Other	53,791	11,994	42,198	4,238
Changes in assets and liabilities from operating activities after adjustment for non-cash components				
Financial assets - held for trading	(763,851)	61,056	(763,851)	61,056
Financial assets - at fair value through profit or loss	823	(551)	823	(551)
Financial assets - available for sale	684,236	(1,746,315)	632,568	(1,686,394)
Loans and receivables to credit institutions	(1,702,106)	507,910	(1,747,255)	435,110
Loans and receivables to customers	(13,819)	(227,837)	200,178	(23,648)
Other assets from operating activities	(66,276)	(12,562)	(19,402)	(34,887)
Financial liabilities - held for trading	10,954	14,067	10,954	14,067
Financial liabilities measured at amortised cost	1,080,795	(1,961,235)	1,057,725	(1,804,410)
Deposits from banks	9,057	(274,884)	1,971	(508,862)
Deposits from customers	1,222,086	(1,027,104)	1,227,851	(805,399)
Other financial liabilities	1,891	(149,715)	15,278	(151,941)
Other liabilities from operating activities	(1,506)	(5,124)	(27,555)	(7,910)
Current tax paid	-	-	-	-
Cash flow from operating activities	788,953	(2,140,103)	801,199	(2,039,407)
Net acquisition of				
Financial assets - held to maturity	(883,868)	270,023	(867,088)	107,736
Property and equipment, intangible assets and investment properties	(125,472)	(98,972)	(77,916)	(52,135)
Cash flow from investing activities	(1,009,340)	171,051	(945,004)	55,601
Borrowings and financing lines	(32,565)	(432,332)	(67,701)	(261,008)
Debt securities issued	(119,674)	(77,200)	(119,674)	(77,200)
Dividends paid to non-controlling interests	-	-	-	-
Cash flow from financing activities	(152,239)	(509,532)	(187,375)	(338,208)
Cash and cash equivalents at beginning of period	9,441,833	11,911,895	9,255,487	11,648,878
Cash flow from operating activities	788,953	(2,140,103)	801,199	(2,039,407)
Cash flow from investing activities	(1,009,340)	171,051	(945,004)	55,601
Cash flow from financing activities	(152,239)	(509,532)	(187,375)	(338,208)
Cash and cash equivalents at end of period	9,069,207	9,433,311	8,924,307	9,326,864

NOTES TO THE FINANCIAL STATEMENTS

1. Bank and Group information

Banca Comerciala Romana S.A, (hereinafter called the „Bank”) was established on 1 December 1990. The Bank is a Romanian legal entity and is licensed by the National Bank of Romania (“NBR”) to conduct banking activities with both retail and corporate customers. The main services provided to customers include: loans, deposits, domestic and international payments, foreign exchange transactions, bank guarantees, letters of credit, etc.

As a result of the privatization process organized by the government of Romania, Erste Bank der oesterreichischen Sparkassen AG (‘Erste Bank’) purchased 61.88% of the share capital of the Bank pursuant to a share purchase agreement dated 21 December 2005. Until 30 June 2017, Erste Bank purchased further 31.70% from employees and other shareholders of the Bank, adding up to 93,5792%. The ultimate parent of the Group is Erste Group Bank AG.

At 30 June 2017, the Bank’s shareholders were the following:

in RON thousands	2016		2017	
	Number of shares	Percentage holding (%)	Number of shares	Percentage holding (%)
Erste Group Bank AG	15,209,668,849	93.5783%	15,209,810,499	93.5792%
Societatea de Investitii Financiare (“SIF”) „Banat Crisana”	1	0.0000%	1	0.0000%
Societatea de Investitii Financiare (“SIF”) „Muntenia”	1	0.0000%	1	0.0000%
Societatea de Investitii Financiare (“SIF”) „Oltenia”	1,023,534,303	6.2973%	1,023,534,303	6.2973%
SC Actinvest SA	226,802	0.0014%	226,802	0.0014%
FDI Certinvest Dinamic	13,699	0.0001%	13,699	0.0001%
BCR Leasing	109	0.0000%	109	0.0000%
Individuals	19,972,490	0.1229%	19,830,840	0.1220%
Total	16,253,416,254	100.0000%	16,253,416,254	100.0000%

The current registered office is located in Bucharest, Romania, No.5, Regina Elisabeta Blvd.

The Bank operates through the Head Office located in Bucharest and through its territorial units, as follows:

- **Retail**, grouped into 12 geographical locations, including 514 branches;
- **Corporate**, grouped into 10 geographical areas, including 21 Commercial Centres and Area Centres, 18 Mobile Teams and International Clients Department that support small and medium-sized customers (SMEs).

1. Bank and Group information (*continued*)

The Bank has the following subsidiaries as at 30 June 2017 and 31 December 2016:

Company's name	Country of incorporation	Nature of the business	Shareholding		Gross Book Value	Net Book Value	Impairment
			30.06.2017	31.12.2016			
1 BCR Chisinau SA	Moldova	Banking	100.00%	100.00%	200,064	62,967	137,097
2 BCR Leasing IFN SA	Romania	Financial leasing	99.97%	99.97%	389,492	229,830	159,662
3 BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Romania	Pension Fund	99.99%	99.99%	269,820	269,820	-
4 BCR Banca pentru Locuinte SA	Romania	Housing loans	80.00%	80.00%	56,000	5,600	50,400
5 Suport Colect SRL	Romania	Workout	99.99%	100.00%	983,047	-	983,047
6 CIT One SRL	Romania	Cash processing and storing	99.99%	99.99%	13,308	1,632	11,676
7 BCR Fleet Management SRL*	Romania	Operational leasing	99.97%	99.97%			
8 BCR Payments SPV	Romania	Payments transactions	99.99%	99.99%	1,900	1,900	-

* Company held indirectly by BCR through BCR Leasing SA

In 2016 BCR Real Estate Management and Bucharest Financial Piazza were absorbed by BCR Bank; details of the merger were presented in the Financial Statements as at 31 December 2016.

2. Basis of Preparation and Presentation of the financial statements

a) Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards („IFRS”), IAS 34 – *Interim Financial Reporting*.

These financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Bank and Group as at and for year ended 31 December 2016.

b) Functional and presentation currency

The functional currency of the financial statements is the Romanian leu („RON”). All figures are shown in RON thousands, rounded to the nearest RON thousands.

The exchange rates of major foreign currencies, published by National Bank of Romania, were:

Currencies		31.12.2016		30.06.2017	Change
Euro (EUR)	1 : RON	4.5411	1 : RON	4.5539	0.28%
US Dollar (USD)	1 : RON	4.3033	1 : RON	3.9915	-7.25%

c) Significant accounting policies

The accounting policies applied by the Group in these interim condensed financial statements are the same as those applied in the annual consolidated financial statements as at 31 December 2016. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

Application of amended and new IFRS/IAS

Compared to the annual group financial statements as of 31 December 2016, no material changes in accounting policies were resulting from new or amended standards.

2. Basis of Preparation and Presentation of the financial statements (*continued*)

c) Significant accounting policies (*continued*)

IFRS 9: Financial Instruments (IASB Effective Date: 1 January 2018)

IFRS 9 was issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 addresses three main areas of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Regarding the description of IFRS 9 requirements please refer to the IFRS 9 impact part of BCR Group's consolidated financial statements as of 31 December 2016 in chapter "Significant Accounting Policies".

BCR Group started the preparation for the transition to IFRS 9 in early 2015, when the IFRS 9 Implementation Project was officially set up, notably in terms of resources, budget, timeline, business streams and project steering at BCR Group level.

Since late 2016, both at group and at local entity level, most efforts within the project have been refocused on implementation topics, in consideration of the wide range of the impacted internal policies, working instructions, processes, IT systems and applications across BCR Group's entities and business units.

The second half of 2017 will also be used for running the newly implemented IFRS 9 functionalities (as they get tested and accepted at user level across BCR Group's entities) in parallel to the outgoing IAS 39 production processes. Such a "parallel run" is primarily meant to ensure the technical readiness for transiting to IFRS 9 on 1 January 2018, but also the plausibility and the traceability of the transition impact, both on the date of initial application and subsequently. Hence, we see the "parallel run" as an additional source (and opportunity) for further refinement and calibration of the business requirements, notably in the area of impairment.

The current status of IFRS 9 implementation project at BCR Group enables that quantitative estimates of IFRS 9 financial impact at an aggregated level are provided in the area of classification and measurement. No significant amounts were identified for reclassification. In the area of impairment the proposed methodology is currently subject to internal reviews and adjustments. Further, experiences during the parallel run phase will be considered and may affect both assessment of significant increases in credit risk and estimates of expected credit losses. As a result, no quantitative estimates for the impairment of financial instruments are provided in the interim report as of 30 June 2017.

d) Use of estimates and judgements

The preparation of these interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. In preparing the interim condensed consolidated financial statements the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31.12.2016.

3. Cash and cash balances

in RON thousands	Group		Bank	
	31.12.2016	30.06.2017	31.12.2016	30.06.2017
Cash on hand	4,333,186	4,660,939	4,322,634	4,640,818
Cash balances at central banks	7,422,789	4,635,456	7,246,274	4,594,306
Other demand deposits	155,920	136,916	79,970	91,740
Total cash and cash balances	11,911,895	9,433,311	11,648,878	9,326,864

Mandatory reserve rates at 30 June 2017 were for RON 8% (December 2016: 8%) and for foreign currencies 8% (December 2016: 10%).

4. Financial assets – available for sale

in RON thousands	Group		Bank	
	31.12.2016	30.06.2017	31.12.2016	30.06.2017
Bonds and other interest-bearing securities	5,376,652	7,128,749	4,648,089	6,350,788
Listed	3,964,926	4,373,093	3,288,812	3,675,274
Unlisted	1,411,726	2,755,656	1,359,277	2,675,514
Equity related securities	197,435	213,600	197,214	213,376
Listed	144,670	157,836	144,670	157,836
Unlisted	52,765	55,764	52,544	55,540
Total	5,574,087	7,342,349	4,845,303	6,564,164

5. Loans and receivable to credit institutions

in RON thousands	31.12.2016			Group
	Total assets (gross carrying amount)	Specific allowances	Collective allowance	Carrying amount
Loans and receivables	557,466	-	(4,636)	552,830
Central banks	227	-	-	227
Credit institutions	557,239	-	(4,636)	552,603
Total loans and receivables to credit institutions	557,466	-	(4,636)	552,830

in RON thousands	30.06.2017			Group
	Total assets (gross carrying amount)	Specific allowances	Collective allowance	Carrying amount
Loans and receivables	45,359	-	(439)	44,920
Central banks	221	-	-	221
Credit institutions	45,138	-	(439)	44,699
Total loans and receivables to credit institutions	45,359	-	(439)	44,920

in RON thousands	31.12.2016			Bank
	Total assets (gross carrying amount)	Specific allowances	Collective allowance	Carrying amount
Loans and receivables	656,050	-	(4,636)	651,414
Central banks	227	-	-	227
Credit institutions	655,823	-	(4,636)	651,187
Total loans and receivables to credit institutions	656,050	-	(4,636)	651,414

in RON thousands	30.06.2017			Bank
	Total assets (gross carrying amount)	Specific allowances	Collective allowance	Carrying amount
Loans and receivables	216,743	-	(439)	216,304
Central banks	221	-	-	221
Credit institutions	216,522	-	(439)	216,083
Total loans and receivables to credit institutions	216,743	-	(439)	216,304

5. Loans and receivable to credit institutions (*continued*)

Allowances for loans and receivables to credit institutions are presented below:

	31.12.2016				Group
in RON thousands	Opening balance (-)	Allocations	Releases	Exchange-rate and other changes (+/-)	Closing Balance (-)
Collective allowances					
Loans and receivables	(1,340)	(3,707)	379	32	(4,636)
Credit institutions	(1,340)	(3,707)	379	32	(4,636)
Total loans and receivables to credit institutions	(1,340)	(3,707)	379	32	(4,636)

	30.06.2017				Group
in RON thousands	Opening balance (-)	Allocations	Releases	Exchange-rate and other changes (+/-)	Closing Balance (-)
Collective allowances					
Loans and receivables	(4,636)	-	4,252	(55)	(439)
Credit institutions	(4,636)	-	4,252	(55)	(439)
Total loans and receivables to credit institutions	(4,636)	-	4,252	(55)	(439)

	31.12.2016				Bank
in RON thousands	Opening balance (-)	Allocations	Releases	Exchange-rate and other changes (+/-)	Closing Balance (-)
Collective allowances					
Loans and receivables	(1,340)	(3,707)	379	32	(4,636)
Credit institutions	(1,340)	(3,707)	379	32	(4,636)
Total loans and receivables to credit institutions	(1,340)	(3,707)	379	32	(4,636)

	30.06.2017				Bank
in RON thousands	Opening balance (-)	Allocations	Releases	Exchange-rate and other changes (+/-)	Closing Balance (-)
Collective allowances					
Loans and receivables	(4,636)	-	4,252	(55)	(439)
Credit institutions	(4,636)	-	4,252	(55)	(439)
Total loans and receivables to credit institutions	(4,636)	-	4,252	(55)	(439)

6. Loans and advances to customers, net

									Group	
									31.12.2016	30.06.2017
in RON thousands	Total assets (gross carrying amount)	Specific allowances	Collective allowance	Carrying amount	Total assets (gross carrying amount)	Specific allowances	Collective allowance	Carrying amount		
Loans and receivables	35,884,581	(2,993,897)	(599,550)	32,291,134	36,079,662	(2,953,186)	(688,844)	32,437,632		
General governments	4,193,329	(24,687)	(27,458)	4,141,184	3,970,046	(8,184)	(25,102)	3,936,760		
Other financial corporations	316,897	(22,553)	(6,478)	287,866	291,810	(34,821)	(2,867)	254,122		
Non-financial corporations	12,101,694	(1,809,316)	(235,051)	10,057,327	12,302,063	(1,787,440)	(384,118)	10,130,505		
Households	19,272,661	(1,137,341)	(330,563)	17,804,757	19,515,743	(1,122,741)	(276,757)	18,116,245		
Total loans and receivables to customers	35,884,581	(2,993,897)	(599,550)	32,291,134	36,079,662	(2,953,186)	(688,844)	32,437,632		

									Bank	
									31.12.2016	30.06.2017
in RON thousands	Total assets (gross carrying amount)	Specific allowances	Collective allowance	Carrying amount	Total assets (gross carrying amount)	Specific allowances	Collective allowance	Carrying amount		
Loans and receivables	34,532,671	(2,793,616)	(576,546)	31,162,509	34,536,535	(2,751,132)	(663,632)	31,121,771		
General governments	4,193,151	(24,687)	(27,454)	4,141,010	3,969,915	(8,184)	(25,099)	3,936,632		
Other financial corporations	651,633	(22,057)	(6,353)	623,223	560,944	(34,607)	(2,754)	523,583		
Non-financial corporations	10,758,985	(1,723,092)	(214,948)	8,820,945	10,824,225	(1,694,610)	(361,659)	8,767,956		
Households	18,928,902	(1,023,780)	(327,791)	17,577,331	19,181,451	(1,013,731)	(274,120)	17,893,600		
Total loans and receivables to customers	34,532,671	(2,793,616)	(576,546)	31,162,509	34,536,535	(2,751,132)	(663,632)	31,121,771		

6. Loans and advances to customers, net (*continued*)

Allowances for loans and receivables to customers are presented below:

	31.12.2016							Group	
	Opening balance (-)	Allocations	Uses	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance (-)	Recoveries on written-off loans and sale of loans	Direct write-offs of loans and receivables
<i>in RON thousands</i>									
Specific allowances									
Loans and receivables	(5,369,124)	(759,220)	2,278,448	950,439	81,012	(175,452)	(2,993,897)	844,309	(691,674)
General governments	(28,573)	(4,814)	951	11,745	1,102	(5,098)	(24,687)	1,236	(111)
Other financial corporations	(28,192)	(1,100)	1,913	4,953	771	(898)	(22,553)	96	(860)
Non-financial corporations	(3,753,360)	(413,670)	1,878,237	502,015	39,994	(62,532)	(1,809,316)	775,749	(566,694)
Households	(1,558,999)	(339,636)	397,347	431,726	39,145	(106,924)	(1,137,341)	67,228	(124,009)
Collective allowances									
Loans and receivables	(622,067)	(137,700)	-	79,177	-	81,040	(599,550)	-	-
General governments	(31,507)	(3,192)	-	11,119	-	(3,878)	(27,458)	-	-
Other financial corporations	(3,187)	(5,613)	-	2,306	-	16	(6,478)	-	-
Non-financial corporations	(392,334)	(46,908)	-	53,867	-	150,324	(235,051)	-	-
Households	(195,039)	(81,987)	-	11,885	-	(65,422)	(330,563)	-	-
Total	(5,991,191)	(896,920)	2,278,448	1,029,616	81,012	(94,412)	(3,593,447)		

Based on the extensive portfolio sales performed throughout 2016, coupled with improved recovery capabilities for the Retail workout portfolio, healings registered on the Corporate portfolio and unexpected, one-off recoveries from several Corporate insurance claims, BCR Group recorded a provision release of RON 279,990 thousands in terms of net charge of impairments on financials assets not measured at fair value through profit and loss.

In 2016, the recoveries from sales of loans are in amount of RON 580,238 thousands for the Group and RON 496,099 thousands for the Bank. The rest on the same position represents insurance claims in amount of RON 110,207 thousands, recoveries from debt to asset from written off accounts in amount of RON 61,595 thousands (including "Datio in solutum" law) and recoveries on written off loans in amount of RON 92,269 thousands.

	30.06.2017							Group	
	Opening balance (-)	Allocations	Uses	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance (-)	Recoveries on written-off loans and sale of loans	Direct write-offs of loans and receivables
<i>in RON thousands</i>									
Specific allowances									
Loans and receivables	(2,993,897)	(304,574)	52,553	403,519	26,072	(136,859)	(2,953,186)	20,107	(102,051)
General governments	(24,687)	(334)	-	17,911	407	(1,481)	(8,184)	71	-
Other financial corporations	(22,553)	(13,251)	285	582	348	(232)	(34,821)	-	-
Non-financial corporations	(1,809,316)	(119,448)	18,905	221,288	12,907	(111,776)	(1,787,440)	14,143	(99,375)
Households	(1,137,341)	(171,541)	33,363	163,738	12,410	(23,370)	(1,122,741)	5,893	(2,676)
Collective allowances									
Loans and receivables	(599,550)	(153,218)	-	70,733	-	(6,809)	(688,844)	-	-
General governments	(27,458)	-	-	2,679	-	(323)	(25,102)	-	-
Other financial corporations	(6,478)	(24)	-	3,710	-	(75)	(2,867)	-	-
Non-financial corporations	(235,051)	(152,652)	-	6,295	-	(2,710)	(384,118)	-	-
Households	(330,563)	(542)	-	58,049	-	(3,701)	(276,757)	-	-
Total	(3,593,447)	(457,792)	52,553	474,252	26,072	(143,668)	(3,642,030)		

6. Loans and advances to customers, net (continued)

								31.12.2016	Bank
	Opening balance (-)	Allocations	Uses	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance (-)	Recoveries on written-off loans and sale of loans	Direct write-offs of loans and receivables
<i>in RON thousands</i>									
Specific allowances									
Loans and receivables	(4,969,281)	(697,718)	2,093,484	839,737	79,730	(139,568)	(2,793,616)	717,029	(580,197)
General governments	(28,574)	(4,814)	951	11,745	1,102	(5,097)	(24,687)	1,236	(111)
Other financial corporations	(28,017)	(600)	1,877	4,776	771	(864)	(22,057)	96	(860)
Non-financial corporations	(3,623,874)	(354,590)	1,805,294	438,138	38,796	(26,856)	(1,723,092)	649,397	(455,217)
Households	(1,288,816)	(337,714)	285,362	385,078	39,061	(106,751)	(1,023,780)	66,300	(124,009)
Collective allowances									
Loans and receivables	(600,542)	(122,171)	-	65,949	-	80,218	(576,546)		
General governments	(31,495)	(3,192)	-	11,113	-	(3,880)	(27,454)		
Other financial corporations	(3,071)	(5,552)	-	2,241	-	29	(6,353)		
Non-financial corporations	(372,629)	(32,178)	-	41,402	-	148,457	(214,948)		
Households	(193,347)	(81,249)	-	11,193	-	(64,388)	(327,791)		
Total	(5,569,823)	(619,889)	2,093,484	905,686	79,730	(59,350)	(3,370,162)		

								30.06.2017	Bank
	Opening balance (-)	Allocations	Uses	Releases	Interest income from impaired loans	Exchange-rate and other changes (+/-)	Closing Balance (-)	Recoveries on written-off loans and sale of loans	Direct write-offs of loans and receivables
<i>in RON thousands</i>									
Specific allowances									
Loans and receivables	(2,793,616)	(274,592)	37,347	289,338	25,793	(35,402)	(2,751,132)	8,805	(3,081)
General governments	(24,687)	(334)	-	17,911	407	(1,481)	(8,184)	71	-
Other financial corporations	(22,057)	(13,207)	-	541	348	(232)	(34,607)	-	-
Non-financial corporations	(1,723,092)	(90,383)	8,939	107,995	12,683	(10,752)	(1,694,610)	4,594	(515)
Households	(1,023,780)	(170,668)	28,408	162,891	12,355	(22,937)	(1,013,731)	4,140	(2,566)
Collective allowances									
Loans and receivables	(576,546)	(144,180)	-	63,878	-	(6,784)	(663,632)		
General governments	(27,454)	-	-	2,678	-	(323)	(25,099)		
Other financial corporations	(6,353)	-	-	3,673	-	(74)	(2,754)		
Non-financial corporations	(214,948)	(144,180)	-	-	-	(2,531)	(361,659)		
Households	(327,791)	-	-	57,527	-	(3,856)	(274,120)		
Total	(3,370,162)	(418,772)	37,347	353,216	25,793	(42,186)	(3,414,764)		

The Bank presents in the Transparency Report (Pillar III Report) detailed disclosures related to credit risk (i.e. concentrations, collateralised exposures, etc).

7. Deposits from banks

Credit institutions in RON thousands	Group		Bank	
	31.12.2016	30.06.2017	31.12.2016	30.06.2017
Current accounts / overnight deposits	179.589	862.215	175.794	876.787
Term deposits from other banks	4.944.487	3.659.636	4.904.126	3.573.296
Borrowings and financing lines	2.177.617	2.063.251	1.154.233	893.225
Subordinated loans	2.344.779	2.347.451	2.344.779	2.347.451
Repurchase agreements	8.201	14.904	546.163	664.466
Total deposits by banks	9.654.673	8.947.457	9.125.095	8.355.225

Financing lines in amount of EUR 57,300 thousands were repaid during 2017 by the Bank. At Group level, EUR 40,000 thousands and RON 100,000 thousands were drawn and EUR 87,483 thousands were repaid.

8. Deposits from customers

in RON thousands	Group		Bank	
	31.12.2016	30.06.2017	31.12.2016	30.06.2017
Current accounts / overnight deposits	19,261,038	19,933,892	19,127,221	19,819,688
Savings deposits	1,629	1,651	-	-
Households	1,629	1,651	-	-
Non-savings deposits	19,259,409	19,932,241	19,127,221	19,819,688
General governments	1,320,799	1,540,527	1,320,799	1,540,527
Other financial corporations	584,557	687,879	584,557	592,303
Non-financial corporations	7,980,735	7,297,052	7,861,222	7,297,052
Households	9,373,318	10,406,783	9,360,643	10,389,806
Term deposits	28,974,160	27,274,202	26,227,688	24,729,822
Savings deposits	2,875,978	2,683,678	-	-
Households	2,875,978	2,683,678	-	-
Non-savings deposits	26,098,182	24,590,524	26,227,688	24,729,822
General governments	2,539,456	1,520,172	2,539,456	1,520,172
Other financial corporations	653,906	1,116,729	819,569	1,240,475
Non-financial corporations	5,237,918	4,809,403	5,222,918	4,824,956
Households	17,666,902	17,144,220	17,645,745	17,144,219
Total deposits from customers	48,235,198	47,208,094	45,354,909	44,549,510
General governments	3,860,255	3,060,699	3,860,255	3,060,699
Other financial corporations	1,238,463	1,804,608	1,404,126	1,832,778
Non-financial corporations	13,218,653	12,106,455	13,084,140	12,122,008
Households	29,917,827	30,236,332	27,006,388	27,534,025

9. Debt securities issued

Debt securities issued	Group		Bank	
	31.12.2016	30.06.2017	31.12.2016	30.06.2017
ASSETS				
Subordinated liabilities	129,189	99,121	129,189	99,121
Subordinated issues and deposits	129,189	99,121	129,189	99,121
Other debt securities in issue	508,003	460,871	508,003	460,871
Bonds (not subordinated)	508,003	460,871	508,003	460,871
Total debt securities issued	637,192	559,992	637,192	559,992

As of 30 June 2017, the outstanding nominal amount of subordinated bonds issued by the Bank decreased due to matured bonds: EUR 5,000 thousands (31 December 2016: EUR 21,000 thousands).

10. Provisions

in RON thousands	Group		Bank	
	31.12.2016	30.06.2017	31.12.2016	30.06.2017
Long-term employee provisions	45,734	48,308	45,028	47,500
Pending legal issues	832,991	829,329	799,205	790,852
Commitments and guarantees given	225,341	237,983	225,314	237,930
Provisions for commitments and guarantees - off balance (defaulted customers)	167,940	169,787	167,940	169,787
Provisions for commitments and guarantees - off balance (non defaulted customers)	57,402	68,195	57,374	68,143
Other provisions	36	42,330	-	42,283
Total provisions	1,104,102	1,157,950	1,069,547	1,118,565

11. Net interest income

in RON thousands	Group		Bank	
	30.06.2016	30.06.2017	30.06.2016	30.06.2017
Interest Income				
Financial assets held for trading	25,427	18,205	25,427	18,205
Available-for-sale financial assets	104,999	81,798	83,122	65,567
Loans and receivables	834,210	766,328	811,136	723,239
Held-to-maturity investments	226,764	250,609	201,591	227,138
Other assets	46,301	3,801	44,859	3,078
Total interest income	1,237,701	1,120,741	1,166,135	1,037,227
Interest expenses				
Financial liabilities held for trading	(12,166)	(8,346)	(12,166)	(8,346)
Financial liabilities measured at amortised cost	(286,511)	(231,384)	(245,425)	(193,455)
Other liabilities	(4,280)	(2,283)	(4,272)	(2,274)
Total interest expense	(302,957)	(242,013)	(261,863)	(204,075)
Net interest income	934,744	878,728	904,272	833,152

12. Net fees and commissions income

in RON thousands	Group		Bank	
	30.06.2016	30.06.2017	30.06.2016	30.06.2017
Payment services	171,990	147,504	171,624	146,941
Customer resources distributed but not managed	59,229	64,349	59,400	64,041
Insurance products	24,763	30,818	22,963	28,987
Building society brokerage	912	175	1,397	186
Foreign exchange transactions	6,874	7,343	6,874	7,343
Other	27,592	26,188	29,563	27,711
Lending business	41,718	43,192	44,858	46,967
Loan commitments given, Loan commitments received	9,540	10,352	9,540	10,352
Guarantees given, Guarantees received	9,729	9,452	11,256	11,431
Other lending business	22,449	23,388	24,062	25,185
Other commission	81,185	83,832	60,693	62,424
Net Commission income	354,122	338,877	336,575	320,373

13. Net trading and fair value result

in RON thousands	Group		Bank	
	30.06.2016	30.06.2017	30.06.2016	30.06.2017
Net Trading result	156,132	188,114	153,604	184,543
Securities and derivatives trading	28,256	35,215	28,256	35,250
Foreign exchange transactions	127,876	152,899	125,348	149,293
Gains or losses on financial assets and liabilities designated at fair value through profit or loss	140	1,488	140	1,488
Total net trading and fair value result	156,272	189,602	153,744	186,031

14. General administrative expenses

Personnel expenses	Group		Bank	
	30.06.2016	30.06.2017	30.06.2016	30.06.2017
in RON thousands				
Wages and salaries	(284,530)	(263,824)	(257,921)	(236,614)
Compulsory social security	(65,021)	(60,511)	(58,757)	(53,951)
Long-term employee provisions	(1,749)	(2,010)	(1,697)	(1,948)
Other personnel expenses	(15,191)	(16,699)	(13,489)	(14,880)
Total	(366,491)	(343,044)	(331,864)	(307,393)
Other administrative expenses				
Payments into deposit insurance fund	(65,258)	(10,130)	(58,621)	(8,854)
IT expenses	(71,483)	(75,445)	(68,967)	(72,656)
Expenses for office space	(60,486)	(62,687)	(119,772)	(58,435)
Office operating expenses	(43,817)	(51,673)	(72,037)	(78,231)
Advertising / marketing	(18,951)	(17,479)	(18,007)	(16,734)
Legal and consulting costs	(33,184)	(21,096)	(31,151)	(19,598)
Sundry administrative expenses	(23,410)	(34,857)	(19,190)	(29,400)
Total	(316,589)	(273,367)	(387,745)	(283,908)

The Group number of employees at 30 June 2017 was 7,054 (31 December 2016: 7,120).

The key management remuneration paid during first half of 2017 and 2016:

in RON thousands	30.06.2016		30.06.2017	
	(Gross amount)	(Employer taxes)	(Gross amount)	(Employer taxes)
Short-term employee benefits	7,189	1,103	7,111	1,215
- fixed component	4,174	611	3,336	452
- variable component	3,015	491	3,775	763

15. Gains/losses from financial assets and liabilities not measured at fair value through profit or loss

in RON thousands	Group		Bank	
	30.06.2016	30.06.2017	30.06.2016	30.06.2017
Gain / (loss) from sale of financial assets available for sale	110,235	79	110,235	79
Total	110,235	79	110,235	79

In June 2016, VISA Europe LTD shares were acquired by VISA Inc. which resulted in a gain of RON 110,228 thousands.

16. Net impairment loss on financial assets not measured at fair value through profit or loss

in RON thousands	Group		Bank	
	30.06.2016	30.06.2017	30.06.2016	30.06.2017
Available-for-sale financial assets		(566)		(566)
Loans and receivables	69,424	(61,232)	47,832	(55,580)
Allocation to risk provisions for loans and receivables	(707,564)	(457,792)	(673,153)	(418,772)
Release of risk provisions for loans and receivables	663,500	478,504	630,994	357,468
Direct write-offs of loans and receivables	(472,099)	(102,051)	(448,678)	(3,081)
Recoveries on written-off loans and sale of loans	585,587	20,107	538,669	8,805
Held to maturity instruments - allocations	(149)	176	(149)	176
Total	69,275	(61,622)	47,683	(55,970)

17. Other operating results

in RON thousands	Group		Bank	
	30.06.2016	30.06.2017	30.06.2016	30.06.2017
Impairment of other assets	(50,733)	1,309	(41,358)	(1,465)
(Allocation)/release of other provisions	13,446	(39,093)	14,840	(33,864)
(Allocation)/release of provisions for commitments and guarantees given	6,778	(12,988)	6,793	(12,964)
Other taxes	(10,034)	(10,398)	(1,881)	(7,652)
Result from other operating expenses/income	(50,965)	(59,911)	(37,812)	(91,690)
Recovery & Resolution fund	(20,232)	(64,951)	(20,232)	(64,951)
Total	(111,740)	(186,032)	(79,650)	(212,586)

18. Taxes on income

in RON thousands	Group		Bank	
	30.06.2016	30.06.2017	30.06.2016	30.06.2017
Pre-tax profit/(loss)	772,420	482,301	703,067	434,089
Income tax expense for the financial year at the domestic statutory tax rate (16%)	(123,587)	(77,168)	(112,491)	(69,454)
Impact of different foreign tax rates				
Impact of tax-exempt earnings of investments and other tax-exempt income	(48,619)	(50,189)	(36,446)	(41,015)
Tax increases due to non-deductible expenses, additional business tax and similar elements	59,617	59,066	48,382	50,470
Impact of other elements and deferred tax income/ (expense)	(23,647)	(109,923)	(27,887)	(116,102)
Income tax (expense) / release reported in the income statement	(136,236)	(178,214)	(128,442)	(176,101)
The effective tax rate	17.64%	36.95%	18.27%	40.57%

18. Taxes on income (*continued*)

During the period 03 May 2016 – 09 June 2017, BCR was subject to a tax audit with the purpose of verifying the corporate income tax and value added tax related to the period 01 January 2012 – 31 December 2015. Following this tax audit, additional tax obligations were considered by the Fiscal Authorities and were accounted as such for the period ended 30 June 2017, even if the Bank will challenge this decision in the near future.

Due to the fact that BCR requested deductibility for expenses with impairment of subsidiaries, the deferred tax asset previously recognized for temporary differences was reversed as at 30 June 2017. However, the Bank's assessment is that the deductibility for expenses with impairment of subsidiaries will be obtained, therefore an asset for tax was recognised.

19. Segment reporting

The segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For management purposes, the Bank is organized into the following business segments:

A. Retail banking

The Group provides individuals and micro clients with a range of financial products and services, including lending (consumer loans, vehicles purchase, personal needs, mortgages, overdrafts, credit cards facilities and funds transfer facilities), savings and deposit taking business, payment services and securities business.

B. Corporate banking

Within corporate banking, the Group provides corporations, real estate and large corporate clients with a range of financial products and services, including lending and deposit taking, providing cash management, foreign commercial business, leasing, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions. Principal activity is of handling loans, other credit facilities, deposits, and current accounts for corporate and institutional customers, investment banking services and financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group.

Main Corporate segments are:

a. Small and Medium Enterprises which represent clients with the following main characteristics:

- companies having annual turnover between 1 to 25 million EUR
- clients requesting financing of real estate projects less than 3 million EUR
- international clients with more than 50% foreign capital and annual turnover between 10 to 25 million EUR

b. Public Sector

- municipalities representing local authorities and companies managed by local authorities
- public sector representing central authorities and companies owned by state, public funds

c. Local Large Corporates

- companies with a consolidated annual turnover threshold above 25 million EUR, which are not defined as Group Large Corporate customers according to the Group Large Corporate client list

19. Segment reporting (continued)

d. Group Large Corporates

- companies with substantial operations in core markets/extended core markets of Erste Group with an indicative consolidated annual turnover of at least 500 million EUR

e. Commercial RE

- companies which request financing for real estate projects more than 3 million EUR

Other Corporate segments are:

f. ALM & Local Corporate Center:

- Balance sheet management - principally providing assets and liabilities management, funding and derivative transactions, investments and issuance of bonds operations;
- Local Corporate Center - unallocated items, items which do not belong to business lines and Free Capital.

g. Treasury (GMT), principally providing money market and treasury operations, syndicated loans and structured financing transactions, foreign currency and derivative transactions, financial instruments trading.

h. Financial institutions (GMFI): companies that provide financial services for their clients or members and act as professional and active participant on financial markets for the purpose of proprietary trading or on behalf of their clients (banks, central banks, investment banks, investments funds, brokerages, insurance companies, pension funds, credit unions).

The business segment reporting format is the Group's basis of segment reporting. Transactions between business segments are conducted at arm's length.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise property and equipment, intangible assets, other assets and other liabilities and taxation. The mapping of individual accounts by main line items of income and expenses, respectively assets and liabilities and equity, for purposes of segment reporting is done on an internal management approach, rather than an external financial reporting approach.

In order to split the Group results on business lines, the following subsidiaries are allocated entirely on Retail segment: BCR Pensii SAFPP, Banca pentru Locuinte, Suport Colect and some of the consolidation adjustments: BCR Leasing and BCR Chisinau are allocated on Corporate. Intragroup eliminations and the rest of the consolidation adjustments are allocated on Corporate Center.

In geographical segmentation Erste Group shows BCR entirely under geographical area ROMANIA. Furthermore, the only business done outside ROMANIA is performed by BCR Chisinau, but the contribution to Balance Sheet and P&L is not material.



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19. Segment reporting (continued)

in RON thousands										
	2016								Group	
	Group	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI
Net interest income	934,744	597,718	116,346	48,038	21,132	31,830	85,789	30,855	1,115	1,921
Net fee and commission income	354,122	270,302	32,593	20,162	25,610	2,276	5,859	(14,447)	1,090	10,677
Dividend income	2,300	-	-	-	-	-	-	2,300	-	-
Net trading and fair value result	156,272	51,220	21,533	5,944	2,996	2,393	9,732	14,276	42,678	5,500
Net result from investments in associates	903	-	-	-	-	-	-	903	-	-
Rental income from investment properties and other operating lease	24,702	-	22,795	-	-	-	-	1,907	-	-
General Administrative expenses	(768,393)	(591,798)	(109,931)	(42,354)	(16,943)	(4,499)	(11,646)	18,426	(6,951)	(2,697)
Gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss, net	110,235	-	-	-	-	-	-	110,235	-	-
Net impairment (loss) / reversal on financial assets not measured at fair value through profit or loss	69,275	(121,967)	(51,579)	115,270	(1,153)	128,683	14,177	(14,018)	111	(249)
Other operating result	(111,740)	(22,316)	(4,343)	(153)	(7,231)	(28,909)	4,812	(52,783)	(64)	(753)
Pre-tax profit from continuing operations	772,420	183,159	27,414	146,907	24,411	131,774	108,723	97,654	37,979	14,399
Taxes on income	(136,236)	(29,306)	(4,386)	(23,505)	(3,906)	(21,084)	(17,396)	(28,272)	(6,077)	(2,304)
NET PROFIT OF THE YEAR	636,184	153,853	23,028	123,402	20,505	110,690	91,327	69,382	31,902	12,095
Operating Income	1,473,043	919,240	193,267	74,144	49,738	36,499	101,380	35,794	44,883	18,098
Operating Expenses	(768,393)	(591,798)	(109,931)	(42,354)	(16,943)	(4,499)	(11,646)	18,426	(6,951)	(2,697)
Operating Result	704,650	327,442	83,336	31,790	32,795	32,000	89,734	54,220	37,932	15,401
Cost Income Ratio	52.16%	64.38%	56.88%	57.12%	34.06%	12.33%	11.49%	-51.48%	15.49%	14.90%



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19. Segment reporting (continued)

in RON thousands												
	2016											
	Group							ALM & Local Corporate Center			GMT	GMFI
	RETAIL	SME	LLC	GLC	CRE	PS						
ASSETS												
Cash and cash balances	11,911,895	4,235,400	135,282	-	-	-	-	7,461,243	20,005	59,965		
Financial assets - held for trading	633,199	-	-	-	-	-	-	73,486	559,713	-		
Derivatives	73,486	-	-	-	-	-	-	73,486	-	-		
Other trading assets	559,713	-	-	-	-	-	-	-	559,713	-		
Financial assets designated at fair value through profit or loss	15,319	-	-	-	-	15,319	-	-	-	-		
Financial assets - available for sale	5,574,087	676,113	57,115	-	-	237,919	4,602,940	-	-	-		
Financial assets - held to maturity	13,904,201	1,498,698	19,306	-	-	(3,460)	12,389,657	-	-	-		
Loans and receivables to credit institutions	552,830	743,662	58,020	-	-	-	(746,361)	485,293	12,216	-		
Loans and receivables to customers	32,291,134	18,059,871	4,031,038	2,722,456	1,567,194	1,421,983	4,292,147	174,416	8,237	13,792		
Property and equipment	1,472,604	2,621	289,193	-	-	-	1,180,790	-	-	-		
Investment properties	422	-	422	-	-	-	-	-	-	-		
Intangible assets	289,304	2,643	3,288	-	-	-	283,373	-	-	-		
Investments in associates	16,568	-	-	-	-	-	16,568	-	-	-		
Current tax assets	162,480	-	-	-	-	-	162,480	-	-	-		
Deferred tax assets	322,508	2,119	12,172	-	-	-	308,217	-	-	-		
Non-current assets and disposal groups classified as held for sale	2,292	-	-	-	-	-	2,292	-	-	-		
Other assets	365,730	90,963	93,073	-	-	-	181,694	-	-	-		
TOTAL ASSETS	67,514,573	25,312,090	4,698,909	2,722,456	1,567,194	1,421,983	4,541,925	26,090,795	1,073,248	85,973		
LIABILITIES												
Financial liabilities held for trading	38,391	-	-	-	-	-	38,391	-	-	-		
Derivatives	38,391	-	-	-	-	-	38,391	-	-	-		
Financial liabilities measured at amortised costs	59,236,059	33,283,374	4,451,975	1,614,807	4,209,543	395,208	4,586,350	9,058,526	20,679	1,615,597		
Deposits from banks	9,654,673	95,661	1,540,930	-	-	-	-	7,834,133	8,201	175,748		
Deposits from customers	48,235,198	33,130,662	2,908,131	1,602,321	4,201,043	395,208	4,582,212	(19,760)	-	1,435,381		
Debt securities issued	637,192	-	-	-	-	-	-	637,192	-	-		
Other financial liabilities	708,996	57,051	2,914	12,486	8,500	-	4,138	606,961	12,478	4,468		
Provisions	1,104,102	340,269	28,215	108,254	77,382	520	933	548,518	-	11		
Current tax liabilities	1,262	-	-	-	-	-	-	1,262	-	-		
Deferred tax liabilities	3,966	2,827	573	-	-	-	-	566	-	-		
Other Liabilities	326,404	36,941	39,708	-	-	-	-	249,755	-	-		
Total equity	6,804,389	2,022,898	517,688	413,500	218,836	126,848	422,636	3,037,083	39,999	4,901		
TOTAL LIABILITIES AND EQUITY	67,514,573	35,686,309	5,038,159	2,136,561	4,505,761	522,576	5,009,919	12,934,101	60,678	1,620,509		



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19. Segment reporting (continued)

in RON thousands										2017	Group
	Group	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI	
Net interest income	878,728	580,135	104,957	46,674	32,120	27,295	86,035	(2,386)	57	3,841	
Net fee and commission income	338,877	261,373	30,191	16,094	29,855	2,356	8,341	(22,164)	1,160	11,671	
Dividend income	3,584	-	-	-	-	-	-	3,584	-	-	
Net trading and fair value result	189,602	50,171	24,078	5,251	2,376	2,769	11,437	39,555	51,076	2,889	
Net result from investments in associates	(225)	-	-	-	-	-	-	(225)	-	-	
Rental income from investment properties and other operating lease	28,962	167	26,479	-	-	-	-	2,316	-	-	
General Administrative expenses	(709,652)	(523,159)	(99,318)	(20,026)	(34,530)	(4,785)	(10,671)	(4,868)	(6,697)	(5,598)	
Gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss, net	79	-	-	-	-	-	-	79	-	-	
Net impairment (loss) / reversal on financial assets not measured at fair value through profit or loss	(61,622)	63,013	(15,496)	(132,476)	(1,162)	11,574	15,110	(3,979)	1,989	(195)	
Other operating result	(186,032)	(30,545)	1,306	(32,210)	(9,056)	(362)	(10,729)	(100,907)	(87)	(3,442)	
<i>thereof Levies on banking activities</i>	-	-	-	-	-	-	-	-	-	-	
Pre-tax profit from continuing operations	482,301	401,155	72,197	(116,693)	19,603	38,847	99,523	(88,995)	47,498	9,166	
Taxes on income	(178,214)	(43,710)	(22,991)	(37,953)	(3,523)	(25,970)	(32,612)	5,654	(12,907)	(4,202)	
NET PROFIT OF THE YEAR	304,087	357,445	49,206	(154,646)	16,080	12,877	66,911	(83,341)	34,591	4,964	
Operating Income	1,439,528	891,846	185,705	68,019	64,351	32,420	105,813	20,680	52,293	18,401	
Operating Expenses	(709,652)	(523,159)	(99,318)	(20,026)	(34,530)	(4,785)	(10,671)	(4,868)	(6,697)	(5,598)	
Operating Result	729,876	368,687	86,387	47,993	29,821	27,635	95,142	15,812	45,596	12,803	
Cost Income Ratio	49.30%	58.66%	53.48%	29.44%	53.66%	14.76%	10.08%	23.54%	12.81%	30.42%	



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19. Segment reporting (continued)

in RON thousands										
	2017									
	Group	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI
ASSETS										
Cash and cash balances	9,433,311	4,532,656	106,897	-	-	-	-	4,702,018	20,000	71,740
Financial assets - held for trading	572,143	-	(70)	(1,380)	(71)	(68)	(3)	36,274	537,461	-
Derivatives	56,418	-	(70)	(1,380)	(71)	(68)	(3)	36,274	21,736	-
Other trading assets	515,725	-	-	-	-	-	-	-	515,725	-
Financial assets designated at fair value through profit or loss	15,870	15,870	-	-	-	-	-	-	-	-
Financial assets - available for sale	7,342,349	697,820	82,642	-	-	-	234,863	6,327,024	-	-
Financial assets - held to maturity	13,634,178	1,338,759	16,958	-	-	-	-	12,278,461	-	-
Loans and receivables to credit institutions	44,920	854,970	66,317	-	-	-	-	(876,049)	(323)	5
Loans and receivables to customers	32,437,632	18,352,833	4,315,200	2,355,587	1,750,326	1,237,514	4,228,003	170,910	8,342	18,917
Property and equipment	1,474,565	2,240	303,592	-	-	-	-	1,168,733	-	-
Investment properties	384	-	384	-	-	-	-	-	-	-
Intangible assets	293,112	2,228	3,559	-	-	-	-	287,325	-	-
Investments in associates	16,343	-	-	-	-	-	-	16,343	-	-
Current tax assets	155,935	-	-	-	-	-	-	155,935	-	-
Deferred tax assets	146,348	1,971	10,911	-	-	-	-	133,466	-	-
Non-current assets and disposal groups classified as held for sale	2,292	-	-	-	-	-	-	2,292	-	-
Other assets	367,854	71,309	86,251	-	-	-	-	210,294	-	-
TOTAL ASSETS	65,937,236	25,870,656	4,992,641	2,354,207	1,750,255	1,237,446	4,462,863	24,613,026	565,480	90,662
LIABILITIES										
Financial liabilities held for trading	52,458	-	(1)	(1)	(40)	(13)	-	31,077	21,436	-
Derivatives	52,458	-	(1)	(1)	(40)	(13)	-	31,077	21,436	-
Financial liabilities measured at amortised costs	57,274,824	33,458,582	4,432,059	1,143,180	3,516,373	424,247	4,750,995	7,811,116	107,421	1,630,851
Deposits from banks	8,947,457	150,245	1,641,836	-	-	-	-	6,855,163	87,240	212,973
Deposits from customers	47,208,094	33,211,856	2,787,950	1,138,109	3,482,549	424,247	4,741,940	6,176	-	1,415,267
Debt securities issued	559,992	-	-	-	-	-	-	559,992	-	-
Other financial liabilities	559,281	96,480	2,273	5,070	33,825	-	9,055	389,786	20,181	2,611
Provisions	1,157,950	40,985	19,848	147,176	61,308	86	1,514	887,031	-	2
Current tax liabilities	275	-	-	-	-	-	-	275	-	-
Deferred tax liabilities	2,607	1,432	922	-	-	-	-	253	-	-
Other Liabilities	321,111	46,955	38,722	-	-	-	-	235,434	-	-
Total equity	7,128,011	1,964,656	567,501	392,798	253,034	116,704	388,759	3,382,292	52,009	10,258
TOTAL LIABILITIES AND EQUITY	65,937,236	35,512,610	5,059,051	1,683,153	3,830,675	541,024	5,141,268	12,347,478	180,866	1,641,111



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19. Segment reporting (continued)

in RON thousands	2016										Bank
	Group	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI	
Net interest income	904,272	585,346	82,416	48,038	21,132	31,830	85,789	46,685	1,115	1,921	
Net fee and commission income	336,575	252,757	32,482	20,162	25,610	2,276	5,859	(14,338)	1,090	10,677	
Dividend income	4,426	-	-	-	-	-	-	4,426	-	-	
Net trading and fair value result	153,744	51,475	18,743	5,944	2,996	2,393	9,732	14,283	42,678	5,500	
Net result from investments in associates	-	-	-	-	-	-	-	-	-	-	
Rental income from investment properties and other operating lease	562	-	-	-	-	-	-	562	-	-	
General Administrative expenses	(774,780)	(567,909)	(81,236)	(42,354)	(16,943)	(4,499)	(11,646)	(40,545)	(6,951)	(2,697)	
Gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss, net	110,235	-	-	-	-	-	-	110,235	-	-	
Net impairment (loss) / reversal on financial assets not measured at fair value through profit or loss	47,683	(146,025)	(49,113)	115,270	(1,153)	128,683	14,177	(14,018)	111	(249)	
Other operating result	(79,650)	(11,365)	2,980	(153)	(7,231)	(28,909)	4,812	(38,967)	(64)	(753)	
Pre-tax profit from continuing operations	703,067	164,279	6,272	146,907	24,411	131,774	108,723	68,323	37,979	14,399	
Taxes on income	(128,442)	(26,285)	(1,004)	(23,505)	(3,906)	(21,084)	(17,396)	(26,881)	(6,077)	(2,304)	
NET PROFIT OF THE YEAR	574,625	137,994	5,268	123,402	20,505	110,690	91,327	41,442	31,902	12,095	
Operating Income	1,399,579	889,578	133,641	74,144	49,738	36,499	101,380	51,618	44,883	18,098	
Operating Expenses	(774,780)	(567,909)	(81,236)	(42,354)	(16,943)	(4,499)	(11,646)	(40,545)	(6,951)	(2,697)	
Operating Result	624,799	321,669	52,405	31,790	32,795	32,000	89,734	11,073	37,932	15,401	
Cost Income Ratio	55.36%	63.84%	60.79%	57.12%	34.06%	12.33%	11.49%	78.55%	15.49%	14.90%	



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19. Segment reporting (continued)

in RON thousands										2016	Bank
	Bank						ALM & Local Corporate				
	RETAIL	SME	LLC	GLC	CRE	PS	Center	GMT	GMFI		
ASSETS											
Cash and cash balances	11,648,878	4,100,081	-	-	-	-	-	7,468,827	20,005	59,965	
Financial assets - held for trading	633,199	-	-	-	-	-	-	73,486	559,713	-	
Derivatives	73,486	-	-	-	-	-	-	73,486	-	-	
Other trading assets	559,713	-	-	-	-	-	-	-	559,713	-	
Financial assets designated at fair value through profit or loss	15,319	-	-	-	-	15,319	-	-	-	-	
Financial assets - available for sale	4,845,303	-	4,444	-	-	237,919	4,602,940	-	-	-	
Financial assets - held to maturity	12,386,197	-	-	-	-	(3,460)	12,389,657	-	-	-	
Loans and receivables to credit institutions	651,414	-	-	-	-	-	153,905	485,293	12,216	-	
Loans and receivables to customers	31,162,509	17,870,369	2,695,762	2,722,456	1,567,194	1,421,983	4,292,146	570,570	8,237	13,792	
Property and equipment	1,158,548	-	-	-	-	-	1,158,548	-	-	-	
Intangible assets	280,699	-	-	-	-	-	280,699	-	-	-	
Investments in associates	7,509	-	-	-	-	-	7,509	-	-	-	
Current tax assets	159,029	-	-	-	-	-	159,029	-	-	-	
Deferred tax assets	310,554	-	-	-	-	-	310,554	-	-	-	
Non-current assets and disposal groups classified as held for sale	2,292	-	-	-	-	-	2,292	-	-	-	
Other assets	806,775	-	-	-	-	-	806,775	-	-	-	
TOTAL ASSETS	64,068,225	21,970,450	2,700,206	2,722,456	1,567,194	1,421,983	4,541,924	27,984,791	1,073,248	85,973	
LIABILITIES											
Financial liabilities held for trading	38,391	-	-	-	-	-	-	38,391	-	-	
Derivatives	38,391	-	-	-	-	-	-	38,391	-	-	
Financial liabilities measured at amortised costs	55,825,328	30,308,312	2,714,426	1,614,807	4,209,543	395,208	4,586,350	10,360,407	20,678	1,615,597	
Deposits from banks	9,125,095	-	-	-	-	-	-	8,941,146	8,201	175,748	
Deposits from customers	45,354,909	30,253,056	2,711,512	1,602,321	4,201,043	395,208	4,582,212	174,176	-	1,435,381	
Debt securities issued	637,192	-	-	-	-	-	-	637,192	-	-	
Other financial liabilities	708,132	55,256	2,914	12,486	8,500	-	4,138	607,893	12,477	4,468	
Provisions	1,069,547	310,455	26,331	108,254	77,382	520	933	545,661	-	11	
Other Liabilities	242,726	-	-	-	-	-	-	242,726	-	-	
Total equity	6,892,233	1,939,816	356,365	413,500	222,933	126,848	422,636	3,362,178	40,022	7,935	
TOTAL LIABILITIES AND EQUITY	64,068,225	32,558,583	3,097,122	2,136,561	4,509,858	522,576	5,009,919	14,549,363	60,700	1,623,543	



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19. Segment reporting (continued)

in RON thousands	2017										Bank
	Group	RETAIL	SME	LLC	GLC	CRE	PS	ALM & Local Corporate Center	GMT	GMFI	
Net interest income	833,152	571,512	68,085	46,674	32,170	27,295	86,035	(2,555)	65	3,871	
Net fee and commission income	320,373	242,035	31,007	16,094	29,855	2,356	8,341	(22,146)	1,160	11,671	
Dividend income	19,302	-	-	-	-	-	-	19,302	-	-	
Net trading and fair value result	186,031	50,212	20,554	5,251	2,376	2,769	11,437	39,467	51,076	2,889	
Net result from investments in associates	-	-	-	-	-	-	-	-	-	-	
Rental income from investment properties and other operating lease	5,020	-	-	-	-	-	-	5,020	-	-	
General Administrative expenses	(661,312)	(506,064)	(64,728)	(20,025)	(34,530)	(4,785)	(10,671)	(8,215)	(6,697)	(5,597)	
Gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss, net	79	-	-	-	-	-	-	79	-	-	
Net impairment (loss) / reversal on financial assets not measured at fair value through profit or loss	(55,970)	61,223	(8,054)	(132,476)	(1,162)	11,574	15,110	(3,979)	1,989	(195)	
Other operating result	(212,586)	(10,669)	5,070	(32,210)	(9,056)	(362)	(10,729)	(151,101)	(87)	(3,442)	
Pre-tax profit from continuing operations	434,089	408,249	51,934	(116,692)	19,653	38,847	99,523	(124,128)	47,506	9,197	
Taxes on income	(176,101)	(38,171)	(17,037)	(37,953)	(3,524)	(25,970)	(32,612)	(3,725)	(12,907)	(4,202)	
NET PROFIT OF THE YEAR	257,988	370,078	34,897	(154,645)	16,129	12,877	66,911	(127,853)	34,599	4,995	
Operating Income	1,363,878	863,759	119,646	68,019	64,401	32,420	105,813	39,088	52,301	18,431	
Operating Expenses	(661,312)	(506,064)	(64,728)	(20,025)	(34,530)	(4,785)	(10,671)	(8,215)	(6,697)	(5,597)	
Operating Result	702,566	357,695	54,918	47,994	29,871	27,635	95,142	30,873	45,604	12,834	
Cost Income Ratio	48.49%	58.59%	54.10%	29.44%	53.62%	14.76%	10.08%	21.02%	12.80%	30.37%	



Notes to Financial Statements
Consolidated and Parent Bank
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19. Segment reporting (continued)

in RON thousands										2017		Bank
	Bank						ALM & Local Corporate Center				GMFI	
	RETAIL	SME	LLC	GLC	CRE	PS	PS	Center	GMT			
ASSETS												
Cash and cash balances	9,326,864	4,515,414	-	-	-	-	-	4,719,710	20,000	71,740		
Financial assets - held for trading	572,143	-	(70)	(1,380)	(71)	(68)	(3)	36,274	537,461	-		
Derivatives	56,418	-	(70)	(1,380)	(71)	(68)	(3)	36,274	21,736	-		
Other trading assets	515,725	-	-	-	-	-	-	-	515,725	-		
Financial assets designated at fair value through profit or loss	15,870	15,870	-	-	-	-	-	-	-	-		
Financial assets - available for sale	6,564,164	-	2,277	-	-	234,863	-	6,327,024	-	-		
Financial assets - held to maturity	12,278,461	-	-	-	-	-	-	12,278,461	-	-		
Loans and receivables to credit institutions	216,304	-	-	-	-	-	-	216,622	(323)	5		
Loans and receivables to customers	31,121,771	18,170,638	2,855,268	2,355,587	1,750,326	1,237,514	4,228,003	497,176	8,342	18,917		
Property and equipment	1,136,609	-	-	-	-	-	-	1,136,609	-	-		
Intangible assets	284,762	-	-	-	-	-	-	284,762	-	-		
Investments in associates	7,509	-	-	-	-	-	-	7,509	-	-		
Current tax assets	153,855	-	-	-	-	-	-	153,855	-	-		
Deferred tax assets	135,546	-	-	-	-	-	-	135,546	-	-		
Non-current assets and disposal groups classified as held for sale	2,292	-	-	-	-	-	-	2,292	-	-		
Other assets	788,100	-	-	-	-	-	-	788,100	-	-		
TOTAL ASSETS	62,604,250	22,701,922	2,857,475	2,354,207	1,750,255	1,237,446	4,462,863	26,583,940	565,480	90,662		
LIABILITIES												
Financial liabilities held for trading	52,458	-	(1)	(1)	(40)	(13)	-	31,077	21,436	-		
Derivatives	52,458	-	(1)	(1)	(40)	(13)	-	31,077	21,436	-		
Financial liabilities measured at amortised costs	54,020,918	30,640,192	2,576,240	1,143,180	3,516,373	424,247	4,750,995	9,231,419	107,421	1,630,851		
Deposits from banks	8,355,225	-	-	-	-	-	-	8,055,012	87,240	212,973		
Deposits from customers	44,549,510	30,546,796	2,573,973	1,138,109	3,482,549	424,247	4,741,940	226,629	-	1,415,267		
Debt securities issued	559,992	-	-	-	-	-	-	559,992	-	-		
Other financial liabilities	556,191	93,396	2,267	5,070	33,825	-	9,055	389,786	20,181	2,611		
Provisions	1,118,565	5,661	18,219	147,176	61,308	86	1,514	884,599	-	2		
Other Liabilities	234,816	-	-	-	-	-	-	234,816	-	-		
Total equity	7,177,493	1,894,993	391,702	392,798	256,140	116,704	388,759	3,670,377	52,775	13,245		
TOTAL LIABILITIES AND EQUITY	62,604,250	32,540,846	2,986,160	1,683,153	3,833,781	541,024	5,141,268	14,052,288	181,632	1,644,098		



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20. Related-party transactions and principal shareholders

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 June 2017 and 31 December 2016 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

Transactions with parent

All transactions were carried out at market conditions.

Transactions with management

The Group entered into a number of banking transactions with the management in the normal course of business.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. This includes the members of the Supervisory Board, Executive Committee and executive management. These transactions were carried out on commercial terms and conditions and at market rates.

Remuneration paid related to key management personnel is presented in note 14.

Transactions with subsidiaries

The Bank holds investments in subsidiaries with whom it entered into a number of banking transactions in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rates.

The following transactions were carried out with related parties:



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20. Related-party transactions and principal shareholders (continued)

Balances and off-balance exposures with related parties

Group

in RON thousands	31.12.2016				30.06.2017			
	Parent	Associates	Key management personnel	Other related parties	Parent	Associates	Key management personnel	Other related parties
Financial assets	177,579	-	9,713	76,282	168,676	-	8,773	95,399
Cash and cash equivalents	97,558	-	-	-	101,392	-	-	-
Derivative financial instruments	47,270	-	-	-	38,486	-	-	-
Equity instruments	-	-	-	-	-	-	-	-
Loans and advances	32,751	-	9,713	76,282	28,798	-	8,773	95,399
Loans and advances with credit institutions	32,751	-	-	-	28,798	-	-	349
Loans and advances with customers	-	-	9,713	76,282	-	-	8,773	95,050
Other assets	-	7,509	-	26,380	-	7,509	-	23,627
Financial liabilities	8,483,833	45,528	7,283	170,349	7,887,849	17,920	8,122	124,063
Deposits	8,447,898	45,528	7,283	170,349	7,822,928	17,920	8,122	106,397
Deposits by banks	8,447,898	-	-	2,936	7,822,928	-	-	2,503
Deposits by customers	-	45,528	7,283	167,414	-	17,920	8,122	103,894
Derivatives	35,935	-	-	-	50,310	-	-	-
Other liabilities	11,143	-	-	47,287	14,611	-	-	17,666
Loans commitments, financial guarantees and other commitments given - Irrevocable [notional amount]	8,955	-	-	684	171,243	-	-	338
Loans commitments, financial guarantees and other commitments given - Revocable [notional amount]	-	-	590	41,186	-	-	504	31,315
Loan commitments, financial guarantees and other commitments received	233,738	-	-	-	500,525	-	-	-
Derivatives [notional amount]	6,181,824	-	-	-	6,171,857	-	-	-



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20. Related-party transactions and principal shareholders (continued)

Related parties: expenses and income generated by transactions with related parties

Group

in RON thousands	30.06.2016				30.06.2017			
	Parent	Associates	Key management personnel	Other related parties	Parent	Associates	Key management personnel	Other related parties
Interest income	29,414	-	171	624	21,416	-	161	117
Interest expenses	150,508	442	17	248	125,053	54	7	273
Dividend income	-	1,420	-	1,662	-	-	-	2,755
Fee and commission income	1,706	2	14	5,731	2,465	1	17	27,071
Fee and commission expenses	3,974	-	-	119	8,129	-	-	4,102



Notes to Financial Statements
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20. Related-party transactions and principal shareholders (continued)

Balances and off-balance exposures with related parties

Bank

	31.12.2016					30.06.2017				
	Parent	Subsidiaries	Associates	Key management personnel	Other related parties	Parent	Subsidiaries	Associates	Key management personnel	Other related parties
<i>in RON thousands</i>										
Financial assets	102,725	467,045	-	9,713	76,282	124,675	484,363	-	8,773	95,399
Cash and cash equivalents	22,712	617	-	-	-	57,392	219	-	-	-
Derivative financial instruments	47,270	-	-	-	-	38,486	-	-	-	-
Equity instruments	-	-	-	-	-	-	-	-	-	-
Loans and advances	32,743	466,428	-	9,713	76,282	28,798	484,143	-	8,773	95,399
Loans and advances with credit institutions	32,743	105,735	-	-	-	28,798	175,614	-	-	349
Loans and advances with customers	-	360,693	-	9,713	76,282	-	308,530	-	8,773	95,050
of which: Impaired financial assets	-	-	-	-	-	-	-	-	-	-
Other assets	-	628,250	7,509	-	26,380	-	630,109	7,509	-	23,515
Financial liabilities	7,525,157	818,929	45,528	7,283	217,359	6,824,554	938,137	17,920	8,122	106,397
Deposits	7,478,099	809,916	45,528	7,283	170,349	6,774,244	938,137	17,920	8,122	106,397
Deposits by banks	7,478,099	639,974	-	-	2,936	6,774,244	742,079	-	-	2,503
Deposits by customers	-	169,942	45,528	7,283	167,414	-	196,059	17,920	8,122	103,894
Derivative financial instruments	35,935	-	-	-	-	50,310	-	-	-	-
Other liabilities	11,123	9,013	-	-	47,010	14,611	9,617	-	-	17,658
Loans commitments, financial guarantees and other commitments given - Irrevocable [notional amount]	8,955	26,238	-	590	684	171,243	75,692	-	504	338
Loans commitments, financial guarantees and other commitments given - Revocable [notional amount]	-	560,153	-	-	41,186	-	464,751	-	-	31,315
Loan commitments, financial guarantees and other commitments received	233,738	-	-	-	-	500,525	-	-	-	-
Derivatives [notional amount]	6,181,824	-	-	-	-	6,171,857	-	-	-	-



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20. Related-party transactions and principal shareholders (continued)

in RON thousands	30.06.2016					30.06.2017					Bank
	Parent	Subsidiaries	Associates	Key management personnel	Other related parties	Parent	Subsidiaries	Associates	Key management personnel	Other related parties	
Interest income	29,399	18,231	-	171	624	21,373	4,066	-	161	117	
Interest expenses	144,895	2,599	442	17	248	119,692	2,487	54	7	273	
Dividend income	-	705	1,420	-	1,662	-	15,718	-	-	2,755	
Fee and commission income	1,702	4,278	2	14	5,731	2,458	4,070	1	17	27,071	
Fee and commission expenses	1,691	1	-	0	119	5,656	14	-	-	4,102	
Increase or (-) decrease during the period in impairment and provisions for impaired debt instruments, defaulted guarantees and defaulted commitments	-	-	-	-	-	-	50,400	-	-	-	

21. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is best evidenced by a quoted market price, if such exists. Credit Value Adjustment/Debt Value Adjustment is included in the fair value of derivatives and it is immaterial both at 31 December 2016 and June 2017.

Level 1 of the fair value hierarchy

The fair value of financial instruments assigned to level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. More particular, the evaluated fair value can qualify as a level 1 input if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis.

These include exchange traded derivatives (futures, options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

Level 2 of the fair value hierarchy

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as level 2. If no market prices are available the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as level 2 of the fair value hierarchy. For level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters. These include over-the-counter (OTC) derivatives, less liquid shares, bonds and funds as well as and own issues.

Level 3 of the fair value hierarchy

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor of valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as level 3 of the fair value hierarchy. For level 3 valuations besides observable parameters typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures are used as unobservable parameters.

21.1. Financial instruments whose fair value is disclosed in the notes

The following table shows fair values and fair value hierarchy of financial instruments whose fair value is disclosed in the notes for the half year:



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21. Fair value of financial assets and liabilities (continued)

21.1. Financial instruments whose fair value is disclosed in the notes (continued)

in RON thousands	Group					Bank				
	Carrying amount	Fair value	Fair value hierarchy			Carrying amount	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
31.12.2016										
ASSETS										
Loans and advances	32,843,964	33,337,739	-	-	33,337,739	31,813,923	32,501,236	-	-	32,501,236
with credit institutions	552,830	553,406	-	-	553,406	651,414	650,926	-	-	650,926
Romania	552,830	553,406	-	-	553,406	651,414	650,926	-	-	650,926
with customers	32,291,134	32,784,333	-	-	32,784,333	31,162,509	31,850,310	-	-	31,850,310
Held-to-maturity investments	13,904,200	14,264,287	14,244,497	14,624	5,166	12,386,197	12,721,270	12,721,270	-	-
Debt securities	13,904,200	14,264,287	14,244,497	14,624	5,166	12,386,197	12,721,270	12,721,270	-	-
Securities listed, quoted on active markets	13,884,895	14,244,497	14,244,497	-	-	12,386,197	12,721,270	12,721,270	-	-
Securities listed, quoted on inactive markets	14,139	14,624	-	14,624	-	-	-	-	-	-
Securities unlisted	5,166	5,166	-	-	5,166	-	-	-	-	-
LIABILITIES										
Financial liabilities measured at amortised cost	59,236,059	57,841,473	-	706,840	57,134,633	55,825,328	56,045,787	-	707,632	55,338,155
Deposits	57,889,871	56,455,738	-	-	56,455,738	54,480,004	54,656,735	-	-	54,656,735
from banks	9,654,673	9,683,969	-	-	9,683,969	9,125,095	9,382,330	-	-	9,382,330
from customers	48,235,198	46,771,769	-	-	46,771,769	45,354,909	45,274,405	-	-	45,274,405
Debt securities issued	637,192	706,840	-	706,840	-	637,192	707,632	-	707,632	-
Other financial liabilities	708,996	678,895	-	-	678,895	708,132	681,420	-	-	681,420



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Consolidated and Parent Bank
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21. Fair value of financial assets and liabilities (*continued*)

21.1. Financial instruments whose fair value is disclosed in the notes (*continued*)

in RON thousands	Group					Bank				
	Carrying amount	Fair value	Fair value hierarchy			Carrying amount	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
30.06.2017										
ASSETS										
Loans and advances	32,482,552	34,766,086	-	-	34,766,086	31,338,075	33,644,419	-	-	33,644,419
with credit institutions	44,920	43,785	-	-	43,785	216,304	216,791	-	-	216,791
Romania	44,920	43,785	-	-	43,785	216,304	216,791	-	-	216,791
with customers	32,437,632	34,722,301	-	-	34,722,301	31,121,771	33,427,628	-	-	33,427,628
Held-to-maturity investments	13,634,178	13,939,967	13,923,006	12,719	4,242	12,278,461	12,561,984	12,561,984	-	-
Debt securities	13,634,178	13,939,967	13,923,006	12,719	4,242	12,278,461	12,561,984	12,561,984	-	-
Securities listed, quoted on active markets	13,617,221	13,923,006	13,923,006	-	-	12,278,461	12,561,984	12,561,984	-	-
Securities listed, quoted on inactive markets	12,715	12,719	-	12,719	-	-	-	-	-	-
Securities unlisted	4,242	4,242	-	-	4,242	-	-	-	-	-
LIABILITIES										
Financial liabilities measured at amortised cost	57,274,824	56,813,145	-	308,788	56,504,357	54,020,918	53,565,623	-	308,788	53,256,835
Deposits	56,155,551	55,945,209	-	-	55,945,209	52,904,735	52,700,777	-	-	52,700,777
from banks	8,947,457	9,026,060	-	-	9,026,060	8,355,225	8,441,488	-	-	8,441,488
from customers	47,208,094	46,919,149	-	-	46,919,149	44,549,510	44,259,289	-	-	44,259,289
Debt securities issued	559,992	308,788	-	308,788	-	559,992	308,788	-	308,788	-
Other financial liabilities	559,281	559,148	-	-	559,148	556,191	556,058	-	-	556,058



Notes to Financial Statements

Consolidated and Parent Bank

As at 30 June 2017

21. Fair value of financial assets and liabilities (*continued*)

21.1. Financial instruments whose fair value is disclosed in the notes (*continued*)

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PD's used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.

The fair values of financial assets held to maturity are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available, otherwise it is estimated by taking into consideration the actual interest rate environment and in this case they are allocated to Level 2.

The fair value of deposits and other financial liabilities measured at amortized cost is estimated by taking into consideration the actual interest rate environment and own credit spreads, and these are allocated to Level 3.

21. Fair value of financial assets and liabilities (*continued*)

21.2. Financial instruments measured at fair value in the statement of financial position

	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
in RON thousands	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017
Group								
ASSETS								
Financial assets - held for trading	554,228	507,018	74,800	60,878	4,171	4,247	633,199	572,143
Derivatives	-	-	69,853	53,296	3,633	3,122	73,486	56,418
Other trading assets	554,228	507,018	4,947	7,582	538	1,125	559,713	515,725
Financial assets designated at fair value through profit or loss	-	-	-	15,870	15,319	-	15,319	15,870
Financial assets - available for sale*	5,216,738	6,969,303	76,507	233,802	280,842	139,244	5,574,087	7,342,349
Total Assets	5,770,966	7,476,321	151,307	310,550	300,332	143,491	6,222,605	7,930,362
LIABILITIES								
Financial liabilities held for trading	-	-	38,391	52,458	-	-	38,391	52,458
Derivatives	-	-	38,391	52,458	-	-	38,391	52,458
Total Liabilities	-	-	38,391	52,458	-	-	38,391	52,458
Bank								
	Quoted market prices in active markets Level 1		Marked to model based on observable market data Level 2		Marked to model based on non-observable inputs Level 3		Total	
in RON thousands	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017
ASSETS								
Financial assets - held for trading	554,228	507,018	74,800	60,878	4,171	4,247	633,199	572,143
Derivatives	-	-	69,853	53,296	3,633	3,122	73,486	56,418
Other trading assets	554,228	507,018	4,947	7,582	538	1,125	559,713	515,725
Financial assets designated at fair value through profit or loss	-	-	-	15,870	15,319	-	15,319	15,870
Financial assets - available for sale*	4,540,624	6,271,481	24,057	153,660	280,622	139,023	4,845,303	6,564,164
Total Assets	5,094,852	6,778,499	98,857	230,408	300,112	143,270	5,483,821	7,152,177
LIABILITIES								
Financial liabilities held for trading	-	-	38,391	52,458	-	-	38,391	52,458
Derivatives	-	-	38,391	52,458	-	-	38,391	52,458
Total Liabilities	-	-	38,391	52,458	-	-	38,391	52,458

*During the first half of 2017, BCR Bank has reclassified BVB share (ROBVBAACNOR0) from level 2 as at December 2016 to level 1 as at June 2017. Migration is due to the fact that the share is actively traded, quotes being updated at least on a weekly basis. The market price (dirty) of the BVB share amounts RON 3,737 thousands.

21. Fair value of financial assets and liabilities (*continued*)

21.3. Valuation of level 3 financial instruments

The volume of level 3 financial assets can be allocated to the following two categories:

- Market values of derivatives for which the pricing of majority of derivatives is based on valuation models where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).

The unobservable inputs from CVA calculation are the probability of default (PD) and loss given default (LGD). The probabilities of default are the result of the rating models development internally (at ERSTE Group level) and are used to evaluate the credit risk including CVA. According to the allocated rating, each counterparty has assigned a probability of default. The value of LGD parameter for the calculation of CVA is 60%.

- Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.

As at June 2017, most of the financial assets classified according to fair value hierarchy as Level 3 were municipal bonds. The outstanding volume of municipal bonds held by BCR as at 31 December 2016 was RON 243,396 thousands and it is comparable with the value as at June 2017 in amount of RON 253,010 thousands.

In order to mark to market the municipal bonds classified as Level 3 in Fair value Hierarchy, the bank proceeds as follows:

- Municipal bonds are mark to market by the Kondor+ tool, using standard methods implemented for the bank sector;
- The yield curve used by Kondor+ tool is developed using linear interpolation method and is based on observable data from the market;
- Add to the yield curve, a margin which incorporates the credit risk of each debt issuer.

BCR has also in portfolio investments in equities at cost classified according to Fair Value Hierarchy as Level 3. These minority participations held by BCR in available for sale portfolio as at June 2017 have a total book value of RON 26,380 thousands and it is similar to December 2016.

As at June 2017, the fair valuation of VISA Inc preferred shares was based on reasonable assumptions and estimations and was consequently classified in level 3. The shares cannot be sold before a minimum holding period of 12 years and are limited to certain conditions which may restrict the conversion of preferred shares into tradable VISA Inc shares. Due to these limiting conditions the fair value of the preferred shares was capped based on assumptions compared to free tradable VISA Inc. class A common shares. The price of class C common shares was determined based on the conversion ratio of 1:13,952 and an additional haircut of 15%.

21. Fair value of financial assets and liabilities (*continued*)

21.3. Valuation of level 3 financial instruments (*continued*)

Movements in Level 3 of financial instruments carried at fair value

							31.12.2016	Group
in RON thousands	31.12.2015	Gains/(Losses) in profit or loss	Gains/(Losses) in other comprehensive income	Purchase	Sales / Settlements **	Transfer out of level 3	31.12.2016	
ASSETS								
Financial assets - held for trading	4,430	(259)	-	-	-	-	4,171	
Derivatives	3,931	(298)	-	-	-	-	3,633	
Other trading assets	499	39	-	-	-	-	538	
Financial assets designated at fair value through profit or loss	17,967	(743)	-	-	(1,906)	-	15,318	
Financial assets - available for sale	362,791	4,463	(1,586)	46,507	(131,332)	-	280,843	
TOTAL ASSETS	385,188	3,461	(1,586)	46,507	(133,238)	-	300,332	

** The acquisition of shares in VISA Europe by VISA Inc. was in line with the plan, being made in the second quarter of 2016. The initial offer of VISA Inc. from November 2015 included a cash payment, VISA Inc preferred shares and a potential Earn-out-payment in the year 2020. In the course of the fair valuation of the VISA shares as of 31st December 2015, all parts of the offer were taken into account. In May 2016 the offer was adjusted, whereas the earn-out-payments was replaced by a future payments 3 years after closing. This adjustment resulted in an additional increase of the fair value via other comprehensive income. The sales price of RON 110,228 thousands comprising cash payment, VISA Inc preferred shares and future payments was considered as a Level 3 sale.

							30.06.2017	Group
in RON thousands	31.12.2016	Gains/(Losses) in profit or loss	Gains/(Losses) in other comprehensive income	Purchase	Sales / Settlements	Transfer out of level 3 *	30.06.2017	
ASSETS								
Financial assets - held for trading	4,171	76	-	-	-	-	4,247	
Derivatives	3,633	(511)	-	-	-	-	3,122	
Other trading assets	538	587	-	-	-	-	1,125	
Financial assets designated at fair value through profit or loss	15,319	-	-	-	(936)	(14,383)	0	
Financial assets - available for sale	280,843	(566)	12,272	-	(2,719)	(150,586)	139,244	
TOTAL ASSETS	300,333	(490)	12,272	-	(3,655)	(164,969)	143,491	

* During the first half of the year, BCR Bank has reclassified municipal bonds with a market value of RON 164,969 thousands from level 3 as at December 2016 to level 2 as at June 2017. The reason for which the securities were reclassified is the fact that the significance tests showed an effect of less than 2% of the unobservable inputs on the fair value of each security. As consequence the unobservable inputs were considered non-significant and according to internal and group policy, the securities were moved to level 2.



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21. Fair value of financial assets and liabilities (continued)

21.3. Valuation of level 3 financial instruments (continued)

							31.12.2016	Bank
in RON thousands	31.12.2015	Gains/(Losses) in in profit or loss	Gains/(Losses) in other comprehensive income	Purchase	Sales / Settlements **	Transfer out of level 3	31.12.2016	
ASSETS								
Financial assets - held for trading	4,430	(259)	-	-	-	-	4,171	
Derivatives	3,931	(298)	-	-	-	-	3,633	
Other trading assets	499	39	-	-	-	-	538	
Financial assets designated at fair value through profit or loss	17,967	(743)	-	-	(1,905)	-	15,319	
Financial assets - available for sale	362,569	4,463	(1,586)	46,507	(131,331)	-	280,622	
TOTAL ASSETS	384,966	3,461	(1,586)	46,507	(133,236)	-	300,112	

							30.06.2017	Bank
in RON thousands	31.12.2016	Gains/(Losses) in in profit or loss	Gains/(Losses) in other comprehensive income	Purchase	Sales / Settlements	Transfer out of level 3 *	30.06.2017	
ASSETS								
Financial assets - held for trading	4,171	76	-	-	-	-	4,247	
Derivatives	3,633	(511)	-	-	-	-	3,122	
Other trading assets	538	587	-	-	-	-	1,125	
Financial assets designated at fair value through profit or loss	15,319	-	-	-	(936)	(14,383)	-	
Financial assets - available for sale	280,622	(566)	12,272	-	(2,719)	(150,586)	139,023	
TOTAL ASSETS	300,112	(490)	12,272	-	(3,655)	(164,969)	143,270	

22. Legal claims and contingent liabilities

As at 30 June 2017, the Bank was involved in the normal course of its business in a number of 4,235 other litigation as defendant.

In the opinion of management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amount provided at 30 June 2017.

Contingent liabilities on Unfair terms

Starting with the enactment of Government Emergency Ordinance no.50/2010 on loan agreements for private individuals, as subsequently modified ("Ordinance 50"), the Bank was involved in consumer litigations with certain financial implications. The Law 288 enacted in December 2010 modified Ordinance 50 so that certain provisions are not applicable to loan agreements with individuals existing at the date of the Ordinance 50 issuance.

Following these changes, litigations under the Ordinance 50 were generally dismissed by the Courts and the Bank won most of cases. However, clients have continued to take court actions against the Bank on the grounds of Law no.193/2000 on unfair terms in contracts with consumers, as subsequently modified, that transposes into national law the Directive no. 1993/13/EC on unfair terms in consumer contracts.

Currently, BCR is involved in a number of litigations with ANPC (National Consumer Protection Agency - 9 disputes filed by the institution), having as grounds the interpretations over Law 193/2000 featuring potential cross portfolio contamination effects. Previously, the Bank was involved in 10 disputes, but one was irrevocably solved in favor of the bank; in 3 cases, the bank has won in first court. There is no relevant precedent in the market with respect to similar cases.

The audit mission of the Romanian Court of Accounts – BCR Banca pentru Locuinte (BpL)

In 2015, the Romanian Court of Accounts (hereinafter referred to as "the CoA") conducted a control at the BpL. Following the mission, the CoA claims that several deficiencies were identified, the vast majority grounded on a different interpretation of the applicable legal provisions.

On 15 December 2015, the CoA issued the Decision no. 17, maintaining all the claims included in their initial report and requested BpL to establish exactly the amount of the prejudice. On December 23, 2015, BpL appealed the Decision no. 17 of the CoA, appeal that was rejected by the Commission for Solving Claims of the CoA through Decision No 2/29 February 2016, maintaining as such the Decision no. 17.

Two actions were submitted to the Court of Appeal, Section VIII Administrative and Fiscal, as follows:

- Request of suspension of Decision no. 17/2015– approved by Bucharest Court of Appeal – therefore the effects of the Decision no. 17/2015 are currently suspended. CoA appealed this decision. No hearing date was established yet.
- An action for annulment of the decision of CoA – first hearing was set for 23 June 2016 and subsequently, several postponements of the hearings were made until 1st February 2017 when the Court postponed the decision 2 times until March 1st 2017.

On 1st of March 2017, the Court of Appeal decided in favor of BpL for 5 out of 8 claims. The 3 claims maintained have a disputed amount on closed or assigned contracts estimated by the Bank at RON 10 million (principal). Considering the likelihood of winning the respective litigation BpL did not book any related provisions as at 31 December 2015, 31 December 2016 and neither as at 30 June 2017 considering that no motivation of the Court of Appeal was issued at the date of the Financial Statements and BpL chances to win the litigation on all counts remained unchanged.

Given the complexity and uncertainties related to the result of possible scenarios deriving from the final Court decision, the outcome and amounts involved may differ from the current estimates.

The litigation is not expected to be finally concluded during 2017.



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22. Legal claims and contingent liabilities (*continued*)

BFP Litigation

On 23 December 2016, the BFP has received a request made by City Hall Bucharest to International Court of Arbitration of the International Chamber of Commerce, consisting of amounts due under the joint venture contract for the period from 2001 to 2013. The dispute shall be settled by a court of arbitration consisting of three arbitrators: one arbitrator appointed by each party and the third by the International Court of Arbitration. The lawyers' assessment according to which the chances of being handed a favorable arbitration award for BFP are over 50%.

23. Subsequent events

No material subsequent events occurred after the balance sheet date, that were not included in the financial statements.