Part of the
ProCredit Group

ProCredit Bank

Financial Statements
31 December 2014

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

- Free translation -

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Independent Auditors' Report
(free translation[1])

To the shareholders of
ProCredit Bank S.A.

Report on the financial statements

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

Management's responsibility for the Financial Statements

2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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Fiscal registration code RO12997279
Trade Registry no.J40/4439/2000
Share Capital 2,000 RON

Opinion

6 In our opinion, the financial statements of ProCredit Bank S.A present fairly, in all material respects, the financial position of the Bank as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Other matters

7 We draw attention that supplementary information included in the financial statements and presented in Euro for users convenience, which comprise the statement of financial position as at 31 December 2014, the statements of comprehensive income and cash flows for the year then ended, and related explanatory notes, as described in Note 6 (a), do not form part of the audited financial statements. We have not audited this supplementary information and, accordingly, we do not express an opinion on this supplementary information.

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

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

In accordance with the Order of the National Bank of Romania no 27/2010 and related amendments, article no. 16 point (1) e) of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions, we have read the Administrators' Report presented from page 1 to 14. The Administrators' Report is not a part of the financial statements. In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements.

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

Grecu Tudor Alexandru	**KPMG AUDIT S.R.L.**
Refer to the original signed Romanian version	**Refer to the original signed Romanian version**
registered with the Chamber of Financial Auditors of Romania under no 2368/22.01.2008	registered with the Chamber of Financial Auditors of Romania under no 9/2001

Bucharest, 30 April 2015

Part of the ProCredit Group

ProCredit Bank

Statement of profit or loss and other comprehensive income

in LEI	Note	1.1-31.12. 2014	1.1-31.12. 2013	Convenience translation to EUR * 1.1-31.12. 2014	1.1-31.12. 2013
Interest and similar income		148,446,941	149,288,366	33,399,393	33,783,436
Interest and similar expenses		-45,664,334	-52,918,989	-10,274,116	-11,975,382
Net interest income	(20, 26)	**102,782,607**	**96,369,377**	**23,125,277**	**21,808,054**
Allowance for impairment losses on loans and advances		-14,490,375	-14,099,847	-3,260,220	-3,190,746
Net interest income after allowances	(9, 27)	**88,292,231**	**82,269,531**	**19,865,057**	**18,617,308**
Fee and commission income		19,712,900	17,798,640	4,435,247	4,027,770
Fee and commission expenses		-5,313,893	-4,335,549	-1,195,584	-981,120
Net fee and commission income	(21, 28)	**14,399,007**	**13,463,091**	**3,239,663**	**3,046,651**
Net result from foreign exchange transactions	(29)	5,713,324	5,749,705	1,285,453	1,301,138
Net result from available-for-sale financial assets	(30)	14,579	11,812	3,280	2,673
Net other operating income/expense	(31)	-1,755,424	-422,580	-394,957	-95,628
Operating income		**106,663,716**	**101,071,558**	**23,998,496**	**22,872,141**
Personnel expenses	(32)	-46,381,006	-45,600,628	-10,435,361	-10,319,263
Administrative expenses	(32)	-28,486,979	-26,794,970	-6,409,346	-6,063,608
Operating lease expenses		-11,505,610	-13,023,885	-2,588,672	-2,947,260
Depreciation and amortisation	(39, 40)	-10,042,335	-8,845,310	-2,259,446	-2,001,663
Operating expenses		**-96,415,931**	**-94,264,793**	**-21,692,825**	**-21,331,794**
Operating result		**10,247,785**	**6,806,765**	**2,305,671**	**1,540,347**
Income tax (expenses)/ income	(14, 33)	-847,516	2,107,093	-190,684	476,828
Profit/Loss for the year		**9,400,269**	**8,913,858**	**2,114,986**	**2,017,175**

* please refer to Note 6.a.

Statement of Other Comprehensive Income

in LEI	Note	1.1-31.12. 2014	1.1-31.12. 2013	Convenience translation to EUR * 1.1-31.12. 2014	1.1-31.12. 2013
Profit for the year		**9,400,269**	**8,913,858**	**2,114,986**	**2,017,175**
Items that may be reclassified subsequently to profit or loss					
Change in revaluation reserve from available-for-sale financial assets		31,468	-137,104	7,080	-31,026
Change in deferred tax on revaluation reserve from available for sale assets		-5,035	21,937	-1,133	4,964
Other comprehensive income for the year, net of tax		**26,433**	**-115,168**	**5,947**	**-26,062**
Total comprehensive income for the year		**9,426,702**	**8,798,690**	**2,120,934**	**1,991,113**

* please refer to Note 6.a.

The Statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 52.

The financial statements were reviewed and authorized for issue by the Board of Administration on 30 April 2015 and were signed on its behalf by:

Cosmin Ciobanu
Deputy General Manager

Marius Slemco
Head of Finance Department

Cristina Sindile
Deputy General Manager

Semnat pentru identificare / Signed for identification
30 APR. 2015

Statement of Financial Position

in LEI				Convenience translation to EUR *	
		As at 31 December		As at 31 December	
Assets	**Note**	**2014**	**2013**	**2014**	**2013**
Cash and cash equivalents	(7, 34)	211,287,346	258,912,173	47,140,257	57,732,328
Loans and advances to banks	(8, 35)	111,420,146	20,334,449	24,858,916	4,534,183
Available-for-sale financial assets	(9, 36)	47,425,268	54,156,291	10,581,038	12,075,789
Loans and advances to customers	(8, 37)	1,200,699,294	1,085,617,012	267,887,663	242,071,267
Allowance for losses on loans and advances to customers	(9, 38)	-78,816,210	-71,575,641	-17,584,661	-15,959,962
Property, plant and equipment	(11, 14, 40)	13,638,684	14,340,869	3,042,923	3,197,732
Intangible assets	(10, 39)	3,647,249	3,590,820	813,737	800,682
Deferred tax assets	(14, 42)	6,865,143	7,717,693	1,531,680	1,720,894
Other assets	(43)	13,868,093	8,300,878	3,094,106	1,850,933
Out of which: Current tax assets		*3,189,427*	*1,346,388*	*711,592*	*300,392*
Total assets		**1,530,035,012**	**1,381,394,545**	**341,365,657**	**308,023,847**
Liabilities					
Liabilities to banks	(15, 44)	150,583,815	45,019,035	33,596,710	10,038,360.50
Liabilities to customers	(15, 45)	977,314,297	902,807,621	218,048,302	201,308,364
Liabilities to international financial institutions	(46)	214,425,709	253,336,704	47,840,456	56,489,108
Other liabilities	(48)	5,583,146	7,568,346	1,245,654	1,687,592
Provisions	(16, 47)	411,813	350,553	91,879	78,166
Subordinated debt	(18, 49)	39,225,837	39,248,592	8,751,665	8,751,665
Total liabilities		**1,387,544,617**	**1,248,330,851**	**309,574,667**	**278,353,257**
Equity					
Share capital	(19, 50)	159,681,721	159,681,721	35,626,541	35,605,887
Share premium		1,273,775	1,273,775	284,192	284,027
Legal reserve		2,510,099	1,997,710	560,027	445,450
Accumulated loss		-20,880,626	-29,768,506	-4,658,670	-6,637,792
Revaluation reserve from available-for-sale financial instruments		-94,574	-121,007	-21,100	-26,982
Total equity		**142,490,395**	**133,063,694**	**31,790,990**	**29,670,590**
Total equity and liabilities		**1,530,035,012**	**1,381,394,545**	**341,365,657**	**308,023,847**

* please refer to Note 6.a

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 52.

The financial statements were reviewed and authorized for issue by the Board of Administration on 30 April 2015 and were signed on its behalf by:

Cosmin Ciobanu
Deputy General Manager

Cristina Sindile
Deputy General Manager

Marius Slemco
Head of Finance Department

30 APR. 2015

Part of the ProCredit Group

ProCredit Bank

Statement of Changes in Equity

in LEI	Attributable to equity holders of the Bank					Total
	Share capital	Share premium	Legal reserve	Accumulated loss	Revaluation reserve AFS	
Balance at January 1, 2014	**159,681,721**	**1,273,775**	**1,997,710**	**-29,768,506**	**-121,007**	**133,063,694**
Profit of the year 2014	-	-	-	9,400,269	-	9,400,269
Revaluation of afs securities	-	-	-	-	26,433	26,433
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income of the year 2014	-	-	-	**9,400,269**	**26,433**	**9,426,701**
Distributed dividends from profit 2013	-	-	-	-	-	-
Transfer to legal reserve	-	-	512,389	-512,389	-	-
Share Capital increase	-	-	-	-	-	-
Transactions with shareholders recorded directly in equity	-	-	**512,389**	**-512,389**	-	-
Balance at December 31, 2014	**159,681,721**	**1,273,775**	**2,510,099**	**-20,880,626**	**-94,574**	**142,490,395**
Balance at January 1, 2013	**150,739,521**	**1,273,775**	**1,657,372**	**-38,342,025**	**-5,839**	**115,322,804**
Profit of the year 2013	-	-	-	8,913,858	-	8,913,858
Revaluation of afs securities	-	-	-	-	-115,168	-115,168
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income of the year 2013	-	-	-	**8,913,858**	**-115,168**	**8,798,690**
Distributed dividends from profit 2012	-	-	-	-	-	-
Transfer to legal reserve	-	-	340,338	-340,338	-	-
Share Capital increase	8,942,200	-	-	-	-	8,942,200
Transactions with shareholders recorded directly in equity	**8,942,200**	-	**340,338**	**-340,338**	-	**8,942,200**
Balance at December 31, 2013	**159,681,721**	**1,273,775**	**1,997,710**	**-29,768,506**	**-121,007**	**133,063,694**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 52.

Cosmin Ciobanu
Deputy General Manager

Cristina Sindile
Deputy General Manager

Marius Slemco
Head of Finance Department

Semnat pentru identificare
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30 APR. 2015
Initialised for identification

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ProCredit Bank

Cash Flow Statement

in LEI	Nota	1.1.-31.12.2014	1.1.-31.12.2013	Convenience translation to EUR * 1.1.-31.12.2014	1.1.-31.12.2013
Net profit after tax		**9,400,269**	**8,913,858**	**2,097,291**	**1,987,615**
Cash flows from operating activities					
Adjustments for:					
Allowance for impairment losses on loans and advances		17,552,680	15,522,908	3,916,173	3,461,304
Depreciation and amortisation		10,042,335	8,845,310	2,240,542	1,972,330
Other provisions		61,260	-35,362	13,668	-7,885
Net result from fixed assets		32,943	-269,463	7,350	-60,085
Dividends Income		-14,579	-11,812	-3,253	-2,634
Net income from recoveries from write-off loans		-3,067,251	-1,423,062	-684,333	-317,315
Other (including FX)		-2,657,081	2,286,374	-592,821	509,816
Income tax expense/revenue		847,516	-2,107,093	189,089	-469,840
Operating profit before changes in operating assets and liabilities		**32,198,093**	**31,721,659**	**7,183,707**	**7,073,307**
Change in minimum compulsory reserve		48,138,486	-34,332,753	10,740,163	-7,655,529
Change in loans and advances to customers		-122,327,142	-124,638,124	-27,292,372	-27,791,853
Change in other assets		-5,567,215	-1,398,871	-1,242,100	-311,921
Change in T-bills		-	-137,104	-	-30,571
Change in deposit from banks		104,513,500	44,173,000	23,317,976	9,849,711
Change in deposits from customers		77,756,687	141,956,902	17,348,271	31,653,600
Change in other liabilities		-92,872,922	-25,311,570	-20,720,850	-5,643,983
Net cash used in operating activities		**41,839,487**	**32,033,139**	**9,334,795**	**7,142,761**
Cash flows from investing activities					
Dividends received		14,579	11,812	3,252.68	2,634
Purchase of property, plant and equipment / intagible assets		-9,888,460	-10,508,284	-2,206,211	-2,343,141
Proceeds from sale of property, plant and equipment		458,937	435,668	102,393	97,145
Cash from share sale/buy		-	-8,834	0	-1,970
Net cash used in investing activities		**-9,414,944**	**-10,069,638**	**-2,100,565**	**-2,245,331**
Shares issued		-	8,942,200	-	1,993,935
Proceeds from borrowings		133,656,040	66,596,500	29,819,959	14,849,711
Repayment of borrowing		-81,212,251	-70,507,907	-18,119,241	-15,721,878
Cash flow from financing activities		**52,443,789**	**5,030,793**	**11,700,718**	**1,121,768**
Net increase in cash and cash equivalents					
Cash and cash equivalents at 31 December previous year		132,056,069	105,061,774	29,462,990	23,426,712
Net increase/(decrease) in cash and cash equivalents		84,868,332	26,994,294	18,934,948	6,019,197
Cash and cash equivalents at 31 December	(34)	**216,924,400**	**132,056,069**	**48,397,938**	**29,445,909**
Cash flows from operating activities include:					
Interest received		148,484,564	147,298,267	33,128,347	32,844,620
Interest paid		-47,646,713	-50,504,510	-10,630,444	-11,261,514
Fees and commissions received		19,712,900	17,798,640	4,398,139	3,968,747
Fees and commissions paid		-5,313,893	-4,335,549	-1,185,581	-966,742
		115,236,858	**110,256,848**	**25,710,461**	**24,585,111**

* please refer to Note 6.a.

Cosmin Ciobanu
Deputy General Manager

Cristina Sindile
Deputy General Manager

Marius Slemcor
Head of Finance Department

Semnat pentru identificare
KPMG
30 APR. 2015
Initialised for identification

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the financial statements is provided as a free translation from Romanian which is the official and binding version

Notes to the Financial Statements

Semnat pentru identificare KPMG 30 APR. 2015 Initialised for identification

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KPMG
30. APR. 2015
Initialised for identification

Notes to the Financial Statements

A. Basis of Preparation

1) Compliance with International Financial Reporting Standards as endorsed by the European Union

ProCredit Bank S.A ("the Bank" or "ProCredit") prepares its financial statements according to International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). EU-endorsed IFRS may differ from the IFRS as published by the International Accounting Standards Board (IASB) if the EU does not adopt certain new or amended IFRS.

These financial statements of the Bank for the fiscal year 2014 were reviewed and authorized for issue by the Board of Administration on 30 April 2015 and were signed on its behalf by Cosmin Ciobanu – Deputy General Manager, Cristina Sindile – Deputy General Manager and by Marius Slemco –Head of Finance Department

These financial statements have been prepared on the going concern assumption.

2) Use of estimates and judgements

The Bank's financial reporting and its financial result are influenced by accounting policies, assumptions, estimates, and management judgement which necessarily have to be made in the course of preparation of the financial statements.

All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events and are considered appropriate under the given circumstances. Revisions to estimates are recognized prospectively.

Accounting policies and management's judgments for certain items are especially critical for the Bank's results and financial situation due to their materiality in amount. This applies to the following positions:

(a) Impairment of credit exposures

To determine the bank-wide rates to be applied for collective loan loss provisioning, the Bank performed an evaluation of the quality of the loan portfolio, taking into account historical loss experiences. This migration analysis is based on statistical data from 2003 up to and including 2014 and therefore it reflects both, average losses during a period of constant growth and favourable economic environments as well as average losses during a period of global recession.

To determine total allowances for impairment of financial assets that are evaluated individually for impairment the Bank uses best estimates of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Further information on the Bank's accounting policy on loan loss provisioning can be found in note (9) and note (53)

(b) Recognition and valuation of deferred tax assets

The Bank recognises deferred tax assets only to the extent that it is probable that taxable profits will be available against which the tax-reducing effects can be utilised (for the Bank's accounting policy on income taxes see note (14)). The profit projection is based on the latest business planning as approved by the Board of Administration of the Bank and therefore necessarily and appropriately reflects management's view of future business prospects. The tax planning period of the bank is three years. For details of the recognised amounts see notes (33) and (42).

(c) Functional and presentation currency

These financial statements are prepared in Romanian Lei ("LEI"), which is the Bank's functional currency.

All amounts are presented in LEI, unless otherwise stated. For computational reasons, the figures in the tables may exhibit rounding differences of ± one unit (LEI, EUR, %, etc).

The fiscal year of the Bank is the calendar year.

(d) Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(e) Litigation

In the ordinary course of business, the Bank is routinely defendant in, or parties to a number of pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. In view of the inherent difficulty of predicting the outcome of such matters, the Bank cannot state what the eventual outcome of such matters will be.

(f) Determination of fair values

Determination of fair value for both financial instruments carried at fair value in the financial statements and financial instruments carried at amortized cost and for which the fair value is disclosed encompasses significant judgements and uncertainties related to the current market conditions. For more information on determination of fair values, please refer to note 25.

3) Accounting developments

(a) Standards, amendments and interpretations effective on or after 1 January 2014

The following standards, amendments and interpretations have been issued by the IASB and endorsed by the EU and have an impact on the bank's financial statements:

- Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" have a minor impact on the disclosure of financial statements. The amendments to IAS 36 are applicable for annual periods beginning on or after 1 January 2014.
- Amendments to IAS 32 "Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities" have a minor impact on the financial statements. The amendments to IAS 32 are applicable for annual periods beginning on or after 1 January 2014.

The following standards, amendments and interpretations have been issued by the IASB and endorsed by the EU and have no impact on the bank's financial statements:

- IFRS 10 "Consolidated Financial Statements" have no impact on the financial statements of the bank. The standard has changed the concept of control and consequently the determination which investees are consolidated. The application of IFRS 10 led to no changes. IFRS 10 is applicable for annual periods beginning on or after 1 January 2014.
- IFRS 12 "Disclosures of Interests in Other Entities" has no impact on the disclosure of financial statements. The standard is applicable for annual periods beginning on or after 1 January 2014.
- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities" and Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" have no impact on the financial statements. Both amendments are applicable for annual periods beginning on or after 1 January 2014.

- Annual Improvements to IFRSs 2010-2012 Cycle will have a minor impact on the financial statements of the bank. The improvements are applicable for annual periods beginning on or after 1 July 2014.

(b) Standards, amendments and interpretations issued but not yet effective

The following standards, amendments and interpretations are issued by the IASB and will have an impact on the bank's financial statements. These were not applied in preparing these Financial Statements:

- Amendments to IAS 1: "Disclosure Initiative" will have a minor impact on the financial statements. The amendments will be effective for annual periods beginning on or after 1 January 2016.

- Annual Improvements to IFRSs 2012-2014 Cycle might have a minor impact on the financial statements of the bank. The exposure draft proposes that the improvements will be effective for annual periods beginning on or after 1 July 2016.

- IFRS 15 "Revenue from Contracts with Customers" might have a minor impact on the financial statements. IFRS 15 will be effective for annual periods beginning on or after 1 January 2017.

- IFRS 9 "Financial Instruments" (2014) will have an impact on the measurement and presentation of financial instruments. IFRS 9 is applicable for annual periods beginning on or after 1 January 2018, not yet approved by UE.

The following standards, amendments or interpretations were issued by the IASB but will not have an impact on the bank's financial statements: Annual Improvements to IFRSs 2011-2013 (on or after 1 July 2014), IFRIC 21 "Levies"(on or after 17 June 2014), Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"(on or after July 2014), Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"(on or after Jan 2016), Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"(on or after Jan 2016), Amendments to IAS 16 and IAS 41 "Bearer plants" (on or after Jan 2016), IFRS 14 "Regulatory Deferral Accounts"(on or after Jan 2016), Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"(on or after Jan 2016), Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"(on or after Jan 2016), Amendments to IAS 27 "Equity Method in Separate Financial Statements"(on or after Jan 2016).

There was no early adoption of any standards, amendments and interpretations not yet effective

B. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4) Measurement basis

These financial statements have been prepared under the amortised cost convention, unless IFRS require recognition at fair value. Financial instruments measured at fair value for accounting purposes on an on-going basis include all instruments at fair value through profit or loss and financial instruments classified as available-for-sale. The measurement techniques applied to the balance sheet positions are specified in the accounting policies listed below.

5) Financial assets

The Bank classifies its financial assets in the following categories: loans and receivables, and available-for-sale financial assets. The bank holds no held-to-maturity instruments and no instruments carried at fair value through profit and loss. Management determines the classification of financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are initially recognised at fair value including transaction costs; subsequently they are measured at amortised cost using the effective interest method. At each balance sheet date and whenever there is evidence of potential impairment, the bank assesses the amount of allowance for impairment of its loans and receivables. Their carrying amount may be reduced as a consequence through the use of an allowance account (see note 9) on the accounting policy for impairment of credit exposures, and notes (27), (38), and (53) for details regarding impairment of credit exposures). If the amount of the impairment loss decreases, the impairment allowance is reduced accordingly, and the amount of the reduction is recognised in the income statement. The upper limit on the reduction of the impairment is equal to the amortised costs which would have been calculated at the valuation date if there had not been any impairment.

Loans are recognised when the principal is advanced to the borrowers. Loans and receivables are derecognised when the rights to receive cash flows from the financial assets have expired or when the bank has transferred substantially all risks and rewards of ownership.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as: (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

At initial recognition, available-for-sale financial assets are recorded at fair value including transaction costs. Subsequently they are carried at fair value. The fair values reported are either observable market prices in active markets or values calculated with a valuation technique based on currently observable market data. For very short-term financial assets it is assumed that the fair value is best reflected by the transaction price itself. Gains and losses arising from changes in fair value of available-for-sale financial assets are recognised directly in equity in other comprehensive income in the position "revaluation reserve from available-for-sale financial assets", until the financial asset is derecognised or impaired (for details on impairment, see note (9)). At this time, the cumulative gain or loss previously recognised in equity in other comprehensive income is recognised in profit or loss as "gains and losses from available-for-sale financial assets". Interest is calculated using the effective interest rate method and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive the payment is established.

Purchases and sales of available-for-sale financial assets are recorded on the trade date. The available-for-sale financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the bank has transferred substantially all risks and rewards of ownership.

6) Foreign currency translation

(a) *Functional and presentation currency*

Items included in these financial statements presented in LEI, which is the functional currency of the Bank. For presentation purposes and to meet the expectations of existing and potential providers of external financing and stakeholders the Bank also chose to present a convenience translation to EUR.

The convenience translation has been done by translating all assets and liabilities for the balance sheets at end-of-period exchange rates. Income and expense for all periods presented (including comparatives) have been translated using the average rate for the corresponding period. The exchange rates used for convenience translation are presented in section (66).

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement (trading result).

Monetary items denominated in foreign currency are translated with the closing rate as of the reporting date. In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available for sale, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Conversion differences related to changes in the amortised cost are recognised in profit or loss, while other changes in the carrying amount are recognised in equity.

Non-monetary items measured at historical cost denominated in foreign currency are translated with the exchange rate as at the date of initial recognition.

The reporting exchange rates and average rates for the period used in the balance sheet and the income statement are listed in section (66) of these notes.

7) Cash and cash equivalents

For the purposes of the balance sheet, cash and cash equivalents comprise cash, cash balances in ATM, balances with less than three months' maturity from the date of acquisition when eligible for discounting with central banks, other money market instruments that are highly liquid and readily convertible to known amounts of cash with insignificant risk of changes in value, and bills of exchange and other bills eligible for discounting with central banks.

Generally, all cash and cash equivalent items are recognised at their nominal value. Treasury bills and other money market instruments that qualify as cash equivalents are classified as available-for-sale financial assets and measured at fair value.

For the purposes of the statement of cash flows, cash and cash equivalents include cash balances on hand, unrestricted balances held at central bank, and cash balances in ATM, current accounts with banks and placements with other banks with less than 90 days original maturity and are used by the Bank in the management of its short-term commitments.

8) Loans and advances to banks/customers

The amounts reported under receivables from customers consist mainly of loans and advances issued.

In addition to overnight and term deposits, the amounts reported under receivables from banks include current account balances.

All loans and receivables from banks as well as loans and receivables from customers fall under the category "loans and receivables" and are carried at amortised cost, using the effective interest method. Amortised premiums and discounts are accounted for over the respective terms in the income statement under net interest income. Impairment of loans is recognised in separate allowance accounts (see note (9)).

For the purposes of the cash flow statement, claims to banks with a remaining maturity of less than three months from the date of acquisition are recognised under cash and cash equivalents (see note (34)).

9) Allowance for losses on loans and advances and impairment of available-for-sale financial assets

(a) Assets carried at amortised cost – loans and advances

- Impairment of loans and advances

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that impairment of a credit exposure or a portfolio of credit exposures has occurred which influences the future cash flow of the financial asset(s), the respective losses are immediately recognised. Depending on the size of the credit exposure, such losses are either calculated on an individual credit exposure basis or are collectively assessed for a portfolio of credit exposures. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Losses from expected future events are not recognised.

- Individually assessed loans and advances

Credit exposures are considered individually significant if they exceed EUR 30,000. For such credit exposures, it is assessed whether objective evidence of impairment exists, i.e. any factors which might influence the customer's ability to fulfil his contractual payment obligations towards the bank:

- delinquencies in contractual payments of interest or principal, reflected in more than 30 days debt service
- debtor's significant financial difficulties, caused either by certain factors specific to their activity, or certain major changes of the economic environment in which they operate (e.g. debtor's financial performance category D or E, debtor's risk classification 8).
- breach of covenants or conditions, unless the bank decides to waive or modify the covenant or conditions
- initiation of bankruptcy proceedings
- initiation of foreclosure procedures by the bank
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group
- the bank, for either economic or legal reasons related to the debtor's significant financial difficulties, grants them a concession that they would not enjoy otherwise (e.g. restructuring operation by the reduction of interest rate or by offering a grace period or moratorium more than three, respectively twelve months (agricultural and other seasonal businesses

An individual assessment can also be carried out in cases of credit exposure below EUR 30,000 if they show signs of impairment. Additionally, the aggregate exposure to the client and the realisable value of collateral held are taken into account when deciding on the allowance for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of its estimated future cash flows discounted at the financial asset's original effective interest rate (specific impairment). If a credit exposure has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

- Collectively assessed loans and advances

There are two cases in which credit exposures are collectively assessed for impairment:

- individually insignificant credit exposures that show objective evidence of impairment;

- groups of credit exposures which do not show signs of impairment, in order to cover all losses which have already been incurred but not detected on an individual credit exposure basis.

For the purposes of the evaluation of impairment of individually insignificant credit exposures, the credit exposures are grouped on the basis of similar credit risk characteristics, i.e. according to the number of days they are in arrears and on the restructured/non-restructured status, single or multiple restructuring, with insolvency procedures started or not. Arrears of 30 or more days are considered to be a sign of impairment. This characteristic is relevant for the estimation of future cash flows for the so defined groups of such assets, based on historical loss experiences with loans that showed similar characteristics.

The collective assessment of impairment for individually insignificant credit exposures (lump-sum impairment) and for unimpaired credit exposures (portfolio-based impairment) belonging to a group of financial assets is based on a quantitative analysis of historical default rates for loan portfolios with similar risk characteristics (migration analysis). After a qualitative analysis of this statistical data, management prescribed appropriate rates as the basis for portfolio-based impairment allowances.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

Reversal of impairment

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Writing off loans and advances

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. In case there are outstanding loan exposures, that register over 360 days in arrears and for which recovery through forced execution has not been initiated, the Bank will proceed to the writing-off these exposures. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in the income statement.

Restructured credit exposures

Restructured credit exposures which show signs of impairment and which are considered to be individually significant are provisioned on an individual basis. The amount of the loss is measured as the difference between the restructured loan's carrying amount and the present value of its estimated future cash flows discounted at the loan's original effective interest rate (specific impairment). Restructured loans with arrears more than 30 days and which are individually insignificant or restructured loans which do not show signs of impairment are collectively assessed for impairment.

Insolvent credit exposures

Based on the NBR formal recommendations and considering the results of the recoverability analysis for insolvent cases, the Bank revised/substantiated its recoverability assessment for insolvent customers, for which more prudent assumption are considered.

Taking into consideration the limited historical data available in terms of closed insolvencies and the early stages of insolvency procedure for a significant part of insolvent portfolio, significant uncertainties related to the difficult economic environment of the Bank's borrowers, the low level of actual recoveries up to date, as well as the reduced liquidity of actual transactions with collaterals in the market and prices obtained in recent transactions in the market, the estimated future cash flows on insolvent customers could differ from those considered by the Bank.

Assets acquired in exchange for loans (repossessed property)
Non-financial assets acquired in exchange for loans as part of an orderly realisation are reported in "other assets". The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan at the date of exchange. No depreciation is charged for assets held for sale. Any subsequent write-down of the acquired asset to fair value less costs to sell is recognised in the income statement in "net other operating income". Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative write-down, is also recognised in "net other operating income", together with any realised gains or losses on disposal.

(b) Assets classified as available for sale

The bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In determining whether an available-for-sale financial asset is impaired the following criteria are considered:

- deterioration of the ability or willingness of the debtor to service the obligation;
- a political situation which may significantly impact the debtor's ability to repay the loan;
- additional events that make it unlikely that the carrying amount may be recovered.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.
If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement at any point thereafter. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

The bank primarily invests in government securities with fixed interest rates. Impairments on these investments are recognised when objective evidence exists that the government is unable or unwilling to service these obligations.

10) Intangible assets

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses (see Note 12).

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 3 years.

11) Property, plant and equipment

Land and buildings comprise mainly branches and offices investments. All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (see Note 13). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Component parts of an asset are recognised separately if they have different useful lives or provide benefits to the bank in a different pattern.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	40 years
– Leasehold improvements	shorter of rental contract life or useful life
– Furniture and equipment	3 – 12 years
– Motor vehicles	5 years

The assets' residual carrying values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

The bank does not hold investment property.

12) Impairment of non-financial assets

Non-financial assets are reviewed for indications of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Cash Generating Unit (CGU) is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A CGU carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

13) Leases

The Bank is not engaged in finance leases. In operating leases the Bank acts only as lessee. The total payments made under operating leases are charged to the income statement under administrative expenses on a straight-line basis over the period of the lease. The leasing objects are recognised by the lesser.

The Bank applies IFRIC 4, which requires it to determine if an arrangement contains a lease. The relevant contracts and agreements of the bank do not contain any leases which would lead to a disclosure according to IAS 17.

14) Income tax

Current income tax

Income tax payable on profits is calculated on the basis of the applicable tax law and is recognised as an expense in the period in which profits arise.

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Deferred income tax

Deferred income tax is recognised in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements prepared in conformity with IFRS adopted by EU. Deferred tax assets and liabilities are determined using the tax rate (and law) that has been enacted as of the balance sheet date and is expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The tax planning period is three years.

The main temporary differences arise from revaluation of certain financial assets and liabilities. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither the profit (before tax) for the period according to IFRS, nor the taxable profit or loss.

The tax effects of income tax losses available for carry forward are recognised as a deferred tax asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax related to fair value remeasurement of available-for-sale investments, which are charged directly to equity in other comprehensive income, is also credited or charged directly to equity and subsequently recognised in the income statement together with the deferred gain or loss. For informational reasons, the presentation is made on a gross basis.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

The tax rate used to calculate the current and deferred tax position as at 31 December 2014 was 16% (31 December 2013: 16%)."

Taxation risk

The Bank is committed to ensure sustainable performance of tax risk management by building and maintaining an efficient, effective and transparent tax function within the organization.

Effective from 1 January 2012, IFRS implementation has been consideration for the revision of tax legislation in order to introduce particular rules for the treatment of adjustments resulted at the implementation stage and afterwards. The Authority regulated in time the tax implications on both, tax neutrality of IFRS implementation and on budgetary sources, by often amending related legislation.

In this context, careful analysis was performed in identification of differences in accounting treatment, having tax impact, both in terms of current tax and deferred tax.

It is expected that also in the future the tax framework will be subject to frequent amendments as a consequence of the state budgetary needs or as a result of the Romania's obligations as an EU Member State. Given the precedents, they may have retroactive application.

Tax liabilities of the Bank are opened to a general tax inspection for a period of five years.

15) Liabilities to banks and customers

Liabilities to banks and customers are recognised initially at fair value net of transaction costs incurred. They are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the liability using the effective interest rate method.

All financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

16) Provisions

Provisions are recognised when:

- there is a present legal or constructive obligation resulting from past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation;
- the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in a settlement is determined by considering the class of obligations as a whole.

Provisions for which the timing of the outflow of resources is known are measured at the present value of the expenditures, if the outflow will not be earlier than in one year's time. The increase in the present value of the obligation due to the passage of time is recognised as an interest expense.

Contingent liabilities, which mainly consist of certain guarantees and letters of credit issued for customers, are possible obligations that arise from past events. As their occurrence, or non-occurrence, depends on uncertain future events not wholly within the control of the bank, they are not recognised in the financial statements but are disclosed off-balance sheet unless the probability of settlement is remote (see note (61)).

The provisions for off-balance sheet credit risks relates primarily to undrawn lending commitments, letters of credit and letters of guarantee. Provisions related to off-balance sheet credit exposures are determined at each balance sheet date, by applying the provisioning rates, which are reviewed on annual basis and are set based on the loss rates determined through migration analysis, to the irrevocable off-balance sheet credit exposure.

17) Post-employment benefits and other employee benefits

(a) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.
Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are recognized as expense when services are rendered.

(b) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of comprehensive income as incurred.

The Bank, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Bank are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognized as an expense in the statement of comprehensive income as incurred. The Bank does not have any further obligations.

The Bank does not operate any independent pension scheme and, consequently, has no obligation in respect of pensions. The Bank does not operate any other defined benefit plan or postretirement benefit plan. The Bank has no obligation to provide further services to current or former employees.

18) Subordinated debt

Subordinated debt consists mainly of liabilities to shareholders and other international financial institutions which in the event of insolvency or liquidation are not repaid until all non-subordinated creditors have been satisfied. There is no obligation to repay early.

Following initial recognition at fair value, the subordinated debt is recognised at amortised cost. Premiums and discounts are accounted for over the respective terms in the income statement under "net interest income".

19) Share capital

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds as (negative) capital reserve.
Dividends on ordinary shares are treated as an appropriation of profit in the period in which they are approved by the bank's shareholders.

20) Interest income and expense

Interest income and expenses for all interest-bearing financial instruments, are recognised within "interest income" and "interest expense" in the income statement using the effective interest rate method. Interest income and expense are recognised in the income statement in the period in which they arise.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the income statement include interest on financial assets and liabilities at amortised cost on an effective interest rate basis and interest on available-for-sale investment securities calculated on effective interest basis.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

21) Fee and commission income and expenses

Fee and commission income and expenses other than those related to the origination of a financial instrument are recognised on an accrual basis when the service has been provided.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate of the loan.

Other fees and commission income, including account servicing fees, foreign currency transactions fees, fees for guarantees given and opening of letter of credit fees are recognised as the related services are performed on an accrual basis.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

22) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of other operating income based on the underlying classification of the equity instrument.

Dividends are treated as an appropriation of profit in the period they are declared and approved by the General Assembly of Shareholders.

23) Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

24) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured subsequent to initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

25) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.
When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

IFRS 13 defines fair value as 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 same standard defines a fair value hierarchy which categorises into three levels the inputs used in valuation techniques to measure fair value.

Level 1 Inputs
Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs
Other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs
Unobservable inputs for the asset or liability.

C. Notes to the Statement of profit or loss and other comprehensive income

26) Net interest income

in LEI			Convenience translation to EUR	
Interest and similar income	**1.1.-31.12.2014**	**1.1.-31.12.2013**	**1.1.-31.12.2014**	**1.1.-31.12.2013**
Interest income from cash and cash equivalents and loans and advances to banks	1,126,924	1,655,825	253,549	374,707
Interest income from available-for-sale assets	1,026,454	1,335,519	230,944	302,223
Interest income from loans and advances to customers	146,293,563	146,297,022	32,914,900	33,106,505
Total interest income	**148,446,941**	**149,288,366**	**33,399,393**	**33,783,436**

Interest and similar expenses	**1.1.-31.12.2014**	**1.1.-31.12.2013**	**1.1.-31.12.2014**	**1.1.-31.12.2013**
Interest expenses on liabilities to banks	8,300,428	6,006,880	1,867,531	1,359,336
Interest expenses on liabilities to customers	28,368,488	36,975,902	6,382,686	8,367,518
Interest expenses on liabilities to international financial institutions	6,298,678	6,956,324	1,417,153	1,574,192
Interest expenses on subordinated debt	2,696,740	2,979,883	606,745	674,337
Total interest expenses	**45,664,334**	**52,918,989**	**10,274,116**	**11,975,382**
Net interest income	**102,782,607**	**96,369,377**	**23,125,277**	**21,808,054**

The interest income from loans and advances to customers for the year ended 31 December 2014 includes interest income on impaired loans amounting to LEI 3,178,903 (2013: LEI4,037,570) and interest income from impaired financial assets accrued in accordance with IAS 39.AG93 in the amount of LEI 1,977,711 (2013: LEI 702,398).

27) Allowance for impairment losses on loans and advances

There is no allowance for impairment on loans and advances to banks and available for sale assets.

Risk provisions on loans and advances to customers are reflected in the income statement as follows:

			Convenience translation to EUR	
in LEI	**1.1.-31.12.2014**	**1.1.-31.12.2013**	**1.1.-31.12.2014**	**1.1.-31.12.2013**
Increase of impairment charge	50,182,450	49,981,597	11,290,656	11,310,661
Increase of impairment charge off balance sheet items	29,594	116,916	6,658	26,458
Release of impairment charge	-32,629,770	-33,985,155	-7,341,441	-7,690,722
Release of impairment charge off balance sheet items	-24,647	-133,271	-5,545	-30,159
Recovery of written-off loans	-3,067,251	-1,880,241	-690,107	-425,492
Total	**14,490,375**	**14,099,847**	**3,260,220**	**3,190,746**

28) Net fee and commission income

in LEI Fee and commission income	1.1.-31.12.2014	1.1.-31.12.2013	Convenience translation to EUR 1.1.-31.12.2014	1.1.-31.12.2013
Payment transfers and transactions	9,110,659	8,380,303	2,049,826	1,896,433
Account maintenance fee	5,211,127	4,545,172	1,172,463	1,028,557
Letters of credit and guarantees	153,307	116,745	34,493	26,419
Debit/ credit cards	3,508,129	2,983,470	789,301	675,149
Other fee and commission income	1,729,678	1,772,950	389,164	401,212
Total fee and commission income	**19,712,900**	**17,798,640**	**4,435,247**	**4,027,770**

Fee and commission expenses	1.1.-31.12.2014	1.1.-31.12.2013	Convenience translation to EUR * 1.1.-31.12.2014	1.1.-31.12.2013
Payment transfers and transactions	606,498	537,151	136,457	121,555
Account maintenance fee	210,044	251,879	47,258	56,999
Letters of credit and guarantees	29,109	14,223	6,549	3,219
Other fee and commission expenses	4,468,242	3,532,296	1,005,319	799,346
Total fee and commission expenses	**5,313,893**	**4,335,549**	**1,195,584**	**981,120**
Net fee and commission income	**14,399,007**	**13,463,091**	**3,239,663**	**3,046,651**

29) Net result from foreign exchange transactions

"Result from foreign exchange transactions" refers to the results of foreign exchange dealings with and for customers. The Bank does not engage in any foreign currency trading on its own account. In addition, this position includes unrealised foreign currency revaluation effects. The Bank does not apply hedge accounting as defined by IAS 39.

in LEI	1.1.-31.12.2014	1.1.-31.12.2013	Convenience translation to EUR 1.1.-31.12.2014	1.1.-31.12.2013
Currency transactions	5,609,948	5,861,187	1,262,194	1,326,366
Revaluation general	103,376	-111,481	23,259	-25,228
Total	**5,713,324**	**5,749,705**	**1,285,453**	**1,301,138**

30) Net result from available-for-sale financial assets

This item includes the gains or losses from disposal of available-for-sale financial assets as well as impairment losses and gains from reversal of impairment.

in LEI	1.1.-31.12.2014	1.1.-31.12.2013	Convenience translation to EUR 1.1.-31.12.2014	1.1.-31.12.2013
Net result from disposal of available-for-sale financial assets	14,579	11,812	3,280	2,673
Income from reversal of impairment of available-for-sale financial assets	-	-	-	-
Total	**14,579**	**11,812**	**3,280**	**2,673**

31) Net other operating income/expenses

in LEI	1.1.-31.12.2014	1.1.-31.12.2013	Convenience translation to EUR 1.1.-31.12.2014	1.1.-31.12.2013
Other operating income	2,927,643	3,061,062	658,697	692,708
Other operating expenses	4,683,067	3,483,643	1,053,653	788,336
Total	**-1,755,424**	**-422,580**	**-394,957**	**-95,628**

This item includes net result from the disposal/sale of tangible and intangible assets, expenses for "Fondul de Garantare a Depozitelor in Sistemul Bancar", expenses from legal case against the bank and other operative income/expenses.

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32) Personnel and administrative expenses

Personnel expenses can be broken down as follows:

in LEI	1.1.-31.12.2013	1.1.-31.12.2012	Convenience translation to EUR 1.1.-31.12.2013	1.1.-31.12.2012
Salary expenses	34,938,261	33,987,582	7,860,834	7,691,271
Social security expenses	9,259,418	9,446,785	2,083,296	2,137,774
out of which pension contribution	*6,836,608*	*7,083,338*	*1,538,183*	*1,602,935*
Other personnel expenses	1,188,745	1,230,966	267,458	278,563
Training and recruting expenses	994,582	935,295	223,773	211,654
Total	**46,381,006**	**45,600,628**	**10,435,361**	**10,319,263**

"Administrative expenses" include the following items:

in LEI	1.1.-31.12.2013	1.1.-31.12.2012	Convenience translation to EUR 1.1.-31.12.2013	1.1.-31.12.2012
Communication and IT expenses	6,285,117	5,322,955	1,414,102	1,204,566
Transport	3,252,280	2,822,048	731,737	638,620
Office supplies	1,774,114	1,662,903	399,162	376,309
Security service	1,040,314	914,330	234,063	206,910
Marketing, advertising and entertainment	1,631,727	1,931,524	367,126	437,097
Construction, repairs and maintenance	768,496	753,769	172,906	170,575
Other tax expenses	5,419,311	5,558,613	1,219,302	1,257,895
Consultancy, Legal and Audit fees	4,052,601	3,433,106	911,803	776,900
Insurance	648,956	612,553	146,010	138,619
Utilities	1,100,925	1,399,328	247,699	316,663
Other administrative expenses	2,513,138	2,383,842	565,436	539,455
Total	**28,486,979**	**26,794,970**	**6,409,346**	**6,063,608**

The total expense booked in relation with the bank's external auditor in 2014, for audit of IFRS Individual Financial Statements of the Bank was 56.002 LEI (2013: 57.906 LEI).

33) Income tax expenses/income

This item includes all taxes on income. Income tax expenses were as follows:

in LEI	1.1.-31.12.2014	1.1.-31.12.2013	Convenience translation to EUR 1.1.-31.12.2014	1.1.-31.12.2013
Current tax expense	-	-	-	-
Deferred tax (expense)/income	-847,516	2,107,093	-190,684	476,828
Total	**-847,516**	**2,107,093**	**-190,684**	**476,828**

D. Notes to the Statement of Financial Position

34) Cash and cash equivalents

Cash and cash equivalents comprise the following items:

in LEI	As at 31 December 2014	2013	Convenience translation to EUR 2014	2013
Cash in hand	41,200,347	46,515,859	9,192,197	10,372,123
Balances at central banks excluding mandatory reserves	16,905,642	11,076,472	3,771,813	2,469,836
Mandatory reserve deposits	153,181,356	201,319,842	34,176,247	44,890,370
Total cash and cash equivalents	**211,287,346**	**258,912,173**	**47,140,257**	**57,732,328**

The following cash equivalents have been considered as cash for the cash flow statements:

in LEI	As at 31 December 2014	2013	Convenience translation to EUR * 2014	2013
Cash equivalents recognised in the balance sheet statement	211,287,346	258,912,173	47,140,257	57,732,328
Available-for-sale financial assets	47,398,266	54,129,289	10,575,013	12,069,768
Loans and advances to banks with a maturity up to 3 months, which qualify as cash for the cash flow	111,420,146	20,334,449	24,858,916	4,534,183
Minimum reserve with central bank	-153,181,356	-201,319,842	-34,176,247	-44,890,370
Total cash equivalents for cash flow statement	**216,924,401**	**132,056,069**	**48,397,939**	**29,445,909**

The cash held with the Central Bank ensures compliance with the minimum reserve requirements. These funds are not available for the Bank's daily business. At 31 December 2014 the minimum mandatory reserves rates established by the National Bank of Romania for raised funds with maturity lower than 2 years and for funds raised with residual maturity greater than 2 years, which foresee contractual clauses regarding reimbursements, withdrawals, anticipated transfers, are as follows: 10% for funds raised denominated in LEI and 14% for funds raised denominated in foreign currency (31 December 2013: 15% for funds raised denominated in LEI and 20% for funds raised denominated in foreign currency).

35) Loans and advances to banks

Loans and advances to banks are as follows:

in LEI	As at 31 December 2014	2013	Convenience translation to EUR 2014	2013
Loans and advances to banks in OECD countries	46,583,004	6,720,621	10,393,120	1,498,566
Loans and advances to banks in non-OECD countries	64,837,141	13,613,828	14,465,795	3,035,616
Total	**111,420,146**	**20,334,449**	**24,858,916**	**4,534,183**

Loans and advances to Banks comprise of current accounts held at other banks and deposits with banks. Current accounts held at other banks are at the immediate disposal of the Bank. The deposits with banks are unencumbered.

36) Available-for-sale financial assets

This balance sheet item primarily includes securities with fixed interest rates, most of which are treasury bills.

in LEI **Available-for-sale financial assets**	As at 31 December 2014	2013	Convenience translation to EUR 2014	2013
Fixed interest rate securities (banks and Tbills)	47,398,266	54,129,289	10,575,013	12,069,768
Shares in companies located in non-OECD countries	27,002	27,002	6,024	6,021
Total available-for-sale financial assets	**47,425,268**	**54,156,291**	**10,581,038**	**12,075,789**

37) Loans and advances to customers

Loans and advances to customers are as follows:

in LEI

As at December 31, 2014	Gross amount	Allowance for impairment	Net amount	Share of total portfolio	Number of outstanding loans	Share of total number
Business loans	793,067,869	-60,856,029	732,211,840	66.1%	10,424	49.0%
Agricultural loans	402,993,046	-17,540,949	385,452,097	33.6%	10,605	49.9%
Housing improvement loans	1,754,657	-181,535	1,573,122	0.1%	130	0.6%
Consumer loans *	2,076,584	-187,025	1,889,559	0.2%	56	0.3%
Other loans	807,138	-50,672	756,466	0.1%	52	0.2%
Total	**1,200,699,294**	**-78,816,210**	**1,121,883,084**	**100.0%**	**21,267**	**100.0%**

* consumer loans also include overdrafts to private individuals

in LEI As at December 31, 2013	Gross amount	Allowance for impairment	Net amount	Share of total portfolio	Number of outstanding loans	Share of total number
Business loans	728,684,818	-54,400,015	674,284,803	67.1%	11,480	47.9%
Agricultural loans	349,318,802	-16,240,201	333,078,601	32.2%	11,756	49.1%
Housing improvement loans	3,377,282	-605,562	2,771,720	0.3%	496	2.1%
Consumer loans *	2,762,362	-240,907	2,521,454	0.3%	92	0.4%
Other loans	1,473,749	-88,956	1,384,792	0.1%	119	0.5%
Total	**1,085,617,012**	**-71,575,641**	**1,014,041,372**	**100.0%**	**23,943**	**100.0%**

* consumer loans also include overdrafts to private individuals

Convenience translation to EUR As at December 31, 2014	Gross amount	Allowance for impairment	Net amount	Share of total portfolio	Number of outstanding loans	Share of total number
Business loans	176,941,137	-13,577,571	163,363,566	66.1%	10,424	49.0%
Agricultural loans	89,911,659	-3,913,556	85,998,103	33.6%	10,605	49.9%
Housing improvement loans	391,481	-40,502	350,979	0.1%	130	0.6%
Consumer loans *	463,306	-41,727	421,579	0.2%	56	0.3%
Other loans	180,080	-11,305	168,775	0.1%	52	0.2%
Total	**267,887,663**	**-17,584,661**	**250,303,002**	**100.0%**	**21,267**	**100.0%**

* consumer loans also include overdrafts to private individuals

Convenience translation to EUR As at December 31, 2013	Gross amount	Allowance for impairment	Net amount	Share of total portfolio	Number of outstanding loans	Share of total number
Business loans	162,482,400	-12,130,135	150,352,265	67.1%	11,480	47.9%
Agricultural loans	77,891,231	-3,621,246	74,269,985	32.2%	11,756	49.1%
Housing improvement loans	753,068	-135,028	618,039	0.3%	496	2.1%
Consumer loans *	615,952	-53,718	562,235	0.3%	92	0.4%
Other loans	328,617	-19,835	308,782	0.1%	119	0.5%
Total	**242,071,267**	**-15,959,962**	**226,111,305**	**100.0%**	**23,943**	**100.0%**

* consumer loans also include overdrafts to private individuals

38) Allowance for losses on loans and advances

Allowance for impairment losses on loans and advances cover the risks which arise from the category "loans and receivables" (see also note (9) and note (53)). In addition to the allowance for specific impairment losses for receivables for which there is objective evidence of impairment, lump-sum specific provisions and a general allowance were formed to cover impairment loss relating to the customer loan portfolio as a whole:

in LEI	As at 31 December 2014	2013	Convenience translation to EUR * 2014	2013
Allowance for impairment on loans and advances to customers				
Specific impairment	35,498,197	23,899,611	7,919,992	5,329,144
Allowance for individually insignificant impaired loans	31,384,488	36,573,117	7,002,184	8,155,087
Allowance for collectively assessed loans	11,933,525	11,102,912	2,662,485	2,475,731
Total	**78,816,210**	**71,575,641**	**17,584,661**	**15,959,962**

The following table shows the development of allowances for impairment losses for loans and advances to customers over time:

in LEI As at January 1	2014	2013	Convenience translation to EUR * 2014	2013
Allowance for impairment on loans and advances to customers	71,575,641	56,359,374	15,969,220	12,567,033
Additions	50,182,450	49,981,597	11,196,192	11,144,915
Amount used for write offs/portfolio sale	-10,351,001	-457,179	-2,309,409	-101,942
Releases	-32,629,770	-33,985,155	-7,280,018	-7,578,022
Exchange rate adjustments	38,891	-322,997	8,677	-72,022
As at December 31	**78,816,210**	**71,575,641**	**17,584,661**	**15,959,962**

39) Intangible assets

The development of intangible assets is shown in the following tables:

in LEI	As at 31 December 2014	2013	Convenience translation to EUR * 2014	2013
Net book value at January 1	3,590,820	4,209,357	801,147	938,604
Total acquisition costs at January 1	25,699,823	22,381,907	5,733,880	4,990,725
Additions	4,667,490	3,535,387	1,041,362	788,322
Disposals	9,437,832	217,471	2,105,672	48,492
Total acquisition costs at December 31	**20,929,481**	**25,699,823**	**4,669,570**	**5,730,556**
Accumulated depreciation January 1	22,109,002	18,172,550	4,932,733	4,052,122
Depreciation	4,611,061	4,093,663	1,028,772	912,806
Accumulated depreciation for disposal	9,437,832	157,211	2,105,672	35,055
Accumulated depreciation at December 31	**17,282,231**	**22,109,002**	**3,855,834**	**4,929,873**
Net book value at December 31	**3,647,249**	**3,590,820**	**813,737**	**800,682**

40) Property, plant and equipment

The development of property, plant and equipment was as follows:

in LEI As at December 31, 2014	Land and buildings	Leasehold improvements	Furnitures and fixtures	IT and other equipment	Total
Net book value at January 1, 2014	2,509,129	3,814,133	1,010,368	7,007,239	14,340,869
Total acquisition costs at January 1, 2014	2,906,637	15,621,906	3,362,800	27,507,130	49,398,473
Additions	-	1,293,805	156,936	3,770,230	5,220,970
Disposals	-	2,047	83,574	4,390,723	4,476,344
Total acquisition costs at December 31, 2014	**2,906,637**	**16,913,664**	**3,436,162**	**26,886,637**	**50,143,099**
Accumulated depreciation January 1, 2014	397,508	11,807,773	2,352,432	20,499,891	35,057,604
Depreciation	79,242	1,497,529	235,607	3,618,897	5,431,274
Accumulated depreciation for disposal		2,048	77,990	3,904,425	3,984,463
Accumulated depreciation at December 31, 2014	**476,749**	**13,303,254**	**2,510,049**	**20,214,363**	**36,504,415**
Net book value at December 31, 2014	**2,429,888**	**3,610,409**	**926,113**	**6,672,274**	**13,638,684**

Convenience translation to EUR in EUR As at December 31, 2014	Land and buildings	Leasehold improvements	Furnitures and fixtures	IT and other equipment	Total
Net book value at January 1, 2014	559,811	850,970	225,423	1,563,383	3,199,587
Total acquisition costs at January 1, 2014	648,499	3,485,399	750,273	6,137,108	11,021,279
Transfers	-	-	-	-	-
Additions	-	288,660	35,014	841,175	1,164,849
Disposals	-	457	18,646	979,613	998,716
Total acquisition costs at December 31, 2014	**648,499**	**3,773,602**	**766,641**	**5,998,670**	**11,187,412**
Accumulated depreciation January 1, 2014	88,688	2,634,429	524,850	4,573,725	7,821,692
Depreciation	17,680	334,113	52,566	807,411	1,211,770
Accumulated depreciation for disposal	-	457	17,400	871,115	888,972
Accumulated depreciation at December 31, 2014	**106,367**	**2,968,085**	**560,016**	**4,510,020**	**8,144,489**
Net book value at December 31, 2014	**542,132**	**805,517**	**206,625**	**1,488,649**	**3,042,923**

in LEI As at December 31, 2013	Land and buildings	Leasehold improvements	Furnitures and fixtures	IT and other equipment	Total
Net book value at January 1, 2013	2,588,371	3,446,504	1,092,055	5,098,634	12,225,564
Total acquisition costs at January 1, 2013	2,906,637	14,433,854	3,243,062	25,478,515	46,062,068
Additions	-	1,569,274	177,311	5,226,312	6,972,897
Disposals	-	381,222	57,573	3,197,698	3,636,492
Total acquisition costs at December 31, 2013	**2,906,637**	**15,621,906**	**3,362,800**	**27,507,130**	**49,398,473**
Accumulated depreciation January 1, 2013	318,266	10,987,350	2,151,007	20,379,881	33,836,504
Depreciation	79,242	1,201,645	253,749	3,217,011	4,751,647
Accumulated depreciation for disposal	-	381,222	52,324	3,097,001	3,530,547
Accumulated depreciation at December 31, 2013	**397,508**	**11,807,773**	**2,352,432**	**20,499,891**	**35,057,604**
Net book value at December 31, 2013	**2,509,129**	**3,814,133**	**1,010,368**	**7,007,239**	**14,340,869**

Convenience translation to EUR in EUR As at December 31, 2013	Land and buildings	Leasehold improvements	Furnitures and fixtures	IT and other equipment	Total
Net book value at January 1, 2013	577,156	768,503	243,507	1,136,895	2,726,061
Total acquisition costs at January 1, 2013	648,123	3,218,466	723,139	5,681,208	10,270,936
Transfers	-	-	-	-	-
Additions	-	349,917	39,537	1,165,365	1,554,819
Disposals	-	85,005	12,838	713,024	810,866
Total acquisition costs at December 31, 2013	**648,123**	**3,483,378**	**749,838**	**6,133,550**	**11,014,889**
Accumulated depreciation January 1, 2013	70,967	2,449,963	479,632	4,544,313	7,544,876
Depreciation	17,669	267,943	56,581	717,330	1,059,524
Accumulated depreciation for disposal	-	85,005	11,667	690,570	787,243
Accumulated depreciation at December 31, 2013	**88,636**	**2,632,901**	**524,546**	**4,571,073**	**7,817,157**
Net book value at December 31, 2013	**559,487**	**850,477**	**225,292**	**1,562,477**	**3,197,732**

41) Operating lease commitments

in LEI	As at 31 December 2014	2013	Convenience translation to EUR * 2014	2013
Operating lease commitments				
- no later than one year	10,762,532	11,062,677	2,401,225	2,466,760
- later than one year and no later than five years	18,926,857	26,318,336	4,222,765	5,868,472
- later than five years	1,204,654	1,467,771	268,770	327,284
Total	**30,894,043**	**38,848,784**	**6,892,761**	**8,662,516**

Operating lease commitments result from non-cancellable rental agreements for properties; the amounts in the above table are calculated based on current rental agreements.

42) Income taxes

Deferred income taxes are recognised in full, under the balance sheet method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts, using the applicable local tax rate.
The table below shows the changes in deferred income taxes and the underlying business transactions:

in LEI Deferred taxes	As at 31 December 2014	2013	Convenience translation to EUR * 2014	2013
At January 1	7,717,693	5,588,664	1,721,892	1,246,162
Available-for-sale securities:				
- fair value remeasurement	-5,035	21,937	-1,123	4,891
- transfer to net profit	-	-	-	-
Charges to income statement	-847,516	2,107,093	-189,089	469,840
Total	**6,865,143**	**7,717,693**	**1,531,680**	**1,720,894**

in LEI Deferred tax assets / liabilities	2014	2013	Convenience translation to EUR 2014	2013
Other provisions	59,124	46,924	13,191	10,463
Tax loss carried forward	6,788,004	7,647,720	1,514,470	1,705,291
Temp. differences, Equity reserve afs	18,014	23,049	4,019	5,139
Total	**6,865,143**	**7,717,693**	**1,531,680**	**1,720,894**

The following table show the business activities to which the profit and loss from deferred taxes is related:

in LEI Deferred tax charges	1.1.-31.12.2014	1.1.-31.12.2013	Convenience translation to EUR 1.1.-31.12.2014	1.1.-31.12.2013
Other provisions	12,200	937	2,722	209
Tax loss carried forward	-859,716	2,106,156	-191,811	469,631
Other temporary differences	-5,035	21,936	-1,123	4,891
Total	**-852,551**	**2,129,029**	**-190,212**	**474,732**

The effective tax reconciliation is shown in the following table:

in LEI	1.1.-31.12.2014	1.1.-31.12.2013	Convenience translation to EUR 1.1.-31.12.2014	1.1.-31.12.2013
Profit/(loss) before tax	10,247,785	6,806,765	2,305,671	1,540,347
Tax expected	1,639,646	1,089,082	368,907	246,456
Tax effects of items which are not deductible:				
- non-taxable income	-1,657,099	-4,515,575	-372,834	-1,021,859
- non-tax deductible expenses	864,970	1,319,400	194,611	298,576
Income tax expense for the year according to IFRS	**847,516**	**-2,107,093**	**190,684**	**-476,828**
Changes in deferred tax assets	-859,716	2,106,156	-193,429	476,616
Changes in deferred tax liabilities	12,200	937	2,745	212
Current taxes	**-847,516**	**2,107,093**	**-190,684**	**476,828**

43) Other assets

Other assets are as follows:

in LEI	As at 31 December 2014	2013	Convenience translation to EUR 2014	2013
Pre-payments	5,093,402	2,514,405	1,136,387	560,663
Repossessed properties	751,544	949,221	167,677	211,658
Claims from customs and taxes	4,849,559	2,432,690	1,081,984	542,442
Guarantees	674,355	584,814	150,455	130,402
Other inventory items	455,607	496,477	101,650	110,705
Others	2,043,627	1,323,272	455,953	295,064
Total	**13,868,093**	**8,300,878**	**3,094,106**	**1,850,933**

Repossessed properties as shown in the above table are carried at the lower of the previous carrying amount of the written-off loan and fair value less cost to sell. Repossessed properties are sold at the highest possible price, typically via public auction. Most repossessed property consists of land and buildings.

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44) Liabilities to banks

in LEI	As at 31 December 2014	2013	Convenience translation to EUR 2014	2013
Liabilities to banks in OECD countries	150,583,815	45,019,035	33,596,710	10,038,360
Liabilities to banks in non-OECD countries	-	-	-	-
Total	**150,583,815**	**45,019,035**	**33,596,710**	**10,038,360**

The Bank signed 3 loan agreements in 2014 one with ProCredit Bank Germany in the amount of 44,520,000 LEI and two with ProCredit Holding in the amount of 60,000,000 LEI. The loan agreements with ProCredit Holding were transferred to Procredit Bank Germany in January 2015.

45) Liabilities to customers

Liabilities to customers consist of deposits due on demand, savings deposits and term deposits. The following table shows a breakdown by customer groups:

in LEI	As at 31 December 2014	2013	Convenience translation to EUR 2014	2013
Current accounts	**221,138,489**	**150,643,673**	**49,338,143**	**33,590,580**
-private individuals	108,612,121	79,008,008	24,232,418	17,617,234
-legal entities	112,526,368	71,635,665	25,105,724	15,973,346
Savings accounts*	**54,368,506**	**34,496,897**	**12,130,141**	**7,692,130**
-private individuals	23,348,148	16,820,200	5,209,198	3,750,574
-legal entities	31,020,359	17,676,696	6,920,943	3,941,556
Term deposit accounts	**700,601,398**	**716,304,347**	**156,310,970**	**159,721,798**
-private individuals	595,199,669	557,951,939	132,794,821	124,412,322
-legal entities	105,401,729	158,352,408	23,516,148	35,309,476
Other liabilities to customers	**1,205,903**	**1,362,705**	**269,049**	**303,856**
Total	**977,314,297**	**902,807,621**	**218,048,302**	**201,308,364**

*including Collateral Deposits

The category "legal entities" includes liabilities to non-governmental organisations (NGOs) and public-sector institutions.

46) Liabilities to international financial institutions

Liabilities to international financial institutions are an important source of financing for the Bank. Medium- to long-term loans from international financial institutions are reported under this item.

The following table gives a detailed breakdown for this item

in LEI	Due	As at 31 December 2014	2013	Convenience translation to EUR 2014	2013
European Fund for Southeast Europe ("EFSE")	2015	11,302,636	33,885,272	2,521,728	7,555,750
European Bank for Reconstruction and Development ("EBRD")	2016	22,523,455	50,904,555	5,025,201	11,350,716
European Investment Bank ("EIB")	2024	134,437,123	134,510,296	29,994,227	29,993,154
European Investment Fund ("EIF")	2025	29,144,204	-	6,502,355	-
Pettelaar Effectenbewaarbedrij N.V.	2015	17,018,290	34,036,581	3,796,946	7,589,489
Total		**214,425,709**	**253,336,704**	**47,840,456**	**56,489,108**

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47) Provisions

in LEI	As at 31 December 2014	2013	Convenience translation to EUR 2014	2013
As at January 1	350,553	385,915	78,212	86,051
Additions	399,122	410,268	89,048	91,482
Used	313,279	287,419	69,896	64,089
Released	24,583	158,211	5,485	35,278
As at December 31	**411,813**	**350,552**	**91,879**	**78,166**

in LEI	As at 31 December 2014	2013	Convenience translation to EUR 2014	2013
Provisions for imminent losses from off-balance sheet items	42,285	37,274	9,434	8,311
Provisions for imminent losses from pending transactions	0	20,000	0	4,460
Provisions for untaken vacation	369,528	293,279	82,445	65,395
Total	**411,813**	**350,553**	**91,879**	**78,166**

For the provisions for untaken vacation and for off-balance sheet items the outflow of economic benefits is expected during the three months following the balance sheet date.
Provisions for imminent losses from pending transactions include provisions for legal cases against the Bank.

48) Other liabilities

in LEI	As at 31 December 2014	2013	Convenience translation to EUR 2014	2013
Deferred income	433,053	430,442	96,618	95,980
Accrued payables	1,425,889	1,451,439	318,130	323,642
Liabilities for goods and services	1,788,847	1,504,423	399,109	335,457
Liabilities to employees	1,474	2,069,675	329	461,497
Liabilities from social insurance contributions	1,153,635	1,264,927	257,387	282,054
Liabilities to state budget	761,410	847,439	169,878	188,962
Others	18,837	-	4,202.81	-
Total	**5,583,146**	**7,568,346**	**1,245,654**	**1,687,592**

49) Subordinated debt

The subordinated debt can be broken down as follows:

in LEI **Received from (principal)**	**Due**	As at 31 December 2014	2013	Convenience translation to EUR 2014	2013
ProCredit Holding AG & Co. KGaA, Frankfurt am Main, Germany	2020	13,446,300	13,454,100	3,000,000	3,000,000
ProCredit Holding AG & Co. KGaA, Frankfurt am Main, Germany	2020	8,964,200	8,969,400	2,000,000	2,000,000
ProCredit Holding AG & Co. KGaA, Frankfurt am Main, Germany	2020	16,807,875	16,817,625	3,750,000	3,750,000
Total		**39,218,375**	**39,241,125**	**8,750,000**	**8,750,000**
Accrued interest on subordonated debt		**2014**	**2013**	**2014**	**2013**
ProCredit Holding AG & Co. KGaA, Frankfurt am Main, Germany		7,462	7,467	1,665	1,665
Total		**39,225,837**	**39,248,592**	**8,751,665**	**8,751,665**

Creditors' claims for repayment of these liabilities are subordinated to the claims of other creditors. There is no obligation to repay early. In the case of liquidation or insolvency, they will only be paid after the claims of all non-subordinated creditors have first been satisfied.

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50) Share capital

As at 31 December 2014 (compared to 2013), the shareholder structure was as follows:

in LEI	2014			2013		
Shareholder	Size of stake in %	Number of shares	Amount	Size of stake in %	Number of shares	Amount
ProCredit Holding AG & Co. KGaA, Frankfurt am Main, Germany	99.9994	16,177,044	159,680,734	100.00	16,177,044	159,680,734
IPC - Internationale Projekt Consult GmbH Frankfurt am Main, Germany	0.0006	100	987	0.0006	100	987
Capital total	**100.0%**		**159,681,721**	**100.0%**		**159,681,721**

The par value per share is LEI 10.00.

Share premium:

	Date	LEI	Convenience translation to EUR * EUR
Premium paid by ProCredit Holding AG & Co. KGaA	April 2008	1,273,775	284,192
As at December 31, 2014		**1,273,775**	**284,192**

Reserves:

in LEI	As at 31 December 2014	As at 31 December 2013	Convenience translation to EUR 2014	Convenience translation to EUR 2013
Legal reserve	2,510,099	1,997,710	560,027	445,450
General banking risks reserve	6,166,252	6,166,252	1,375,751	1,374,953
Total	**8,676,351**	**8,163,962**	**1,935,778**	**1,820,403**

Legal reserves represent accumulated transfers from retained earnings in accordance with local banking regulations that require 5% of the Bank's statutory gross profit to be transferred to a non-distributable statutory reserve until such time this reserve represents 20% of the Bank's share capital.

The general banking risks reserve include amounts set aside in accordance with local banking regulations for future losses and other unforeseen risks or contingencies, are separately disclosed as appropriations of profit. The general banking risks reserve was appropriated from the statutory gross profit at the rate of 1% of the balance of the assets carrying specific banking risks until the end of 2006 as required by local legislation. In the Statement of the Financial position is presented under Accumulated loss.

E. Risk Management

51) Management of the overall Bank risk profile

1. The risk profile and the risk appetite

The main principle behind the risk management framework of ProCredit Bank SA is that the Bank is not allowed to take more risk than it is capable of bearing. Therefore, the Board of Administration establishes an overall risk profile and a risk profile for each of the significant risks identified by the Bank. The main purpose of these risk profiles is that of defining the risk appetite as the acceptable limits within which the Bank's activity should be pursued in order to reach the business goals.

The significant risks acknowledged by the Bank are: credit risk, counterparty risk (including issuer risk), liquidity risk, interest rate risk, foreign currency risk, business risk (including strategic risk), operational risk, compliance risk and reputational risk. The Bank evaluates the risk exposure to each significant risk through the risk profile indicators on a monthly basis, and compares the results with the defined risk appetite. The outcome of this analysis is reported regularly to the Board of Administration.

Currently, the Bank's overall risk appetite is established as the medium-low to medium interval, while the overall risk tolerance is established as the low to medium-high interval. The risk profile targets for each significant risk are medium-high for credit risk, medium for liquidity risk, interest rate risk, operational risk and business risk (including strategic risk), and medium-low for counterparty risk, foreign currency risk, reputational risk and compliance risk.

2. Capital management

The capital management of the Bank has the following objectives:

- Ensuring that the Bank is equipped with a sufficient volume and quality of capital at all times to cope with (potential) losses arising from different risks even under extreme circumstances.
- Full compliance with external capital requirements set by the regulator.
- Meeting the internally defined minimum capital adequacy requirements.
- Enabling the bank to implement its plans for continued growth while following its business strategy.

The internal capital adequacy assessment process of ProCredit Bank SA is governed by the Bank's Internal Capital Adequacy Assessment Process (ICAAP) Policy. The main tools used to assess and monitor the capital adequacy of the Bank are the Regulatory capital ratios, the Internal Capital Requirement, the Tier 1 leverage ratio and the risk bearing capacity. These tools are monitored on a monthly basis by the Audit and Risk Management Committee, the Bank's Managers and the Board of Administration.

External minimum capital requirements are imposed and monitored by the local banking supervision authority. Capital adequacy is calculated according to the local accounting standards and reported to the Bank's Managers and Audit and Risk Management Committee on a monthly basis. These reports include rolling forecasts to ensure not only current but also future compliance.

The following table shows the capital adequacy ratio of the bank, calculated according the National Bank of Romania regulation:

	As at 31 December	
Calculation based on NBR regulations	2014	2013
Tier 1 Capital / Risk Weighted Assets	14.55%	12.73%
Tier 1 + Tier 2 Capital / Risk Weighted Assets	18.67%	16.59%

	As at 31 December		Convenience translation to EUR	
in LEI	2014	2013	2014	2013
Ordinary share capital	159,681,721	159,681,721	35,626,541	35,605,887
Capital reserve	1,273,775	1,273,775	284,192	284,027
Legal reserves	2,510,099	1,997,710	560,027	445,450
Accumulated losses	-20,880,626	-29,768,506	-4,658,670	-6,637,792
Less other intangibles	-3,647,249	-3,590,820	-813,737	-800,682
Less other regulatory adjustment	-94,574	-121,007	-21,100	-26,982
Tier I capital	**138,843,146**	**129,472,873**	**30,977,253**	**28,869,907**
Qualifying Subordinated liabilities	39,218,375	39,241,125	8,750,000	8,750,000
Tier II capital	**39,218,375**	**39,241,125**	**8,750,000**	**8,750,000**
Regulatory adjustment	-	-	-	-
Total regulatory capital	**178,061,521**	**168,713,998**	**39,727,253**	**37,619,907**

in RON	2014	2013	2014	2013
RWA on balance	745,606,863	811,585,432	166,352,126	180,967,608
RWA off balance	4,891,388	5,841,309	1,091,316	1,302,497
RWA from operational risk	203,438,638	199,352,484	45,389,134	44,451,688
Total RWA	**953,936,889**	**1,016,779,225**	**212,832,576**	**226,721,793**

The regulatory capital ratios are complemented by the internal capital requirement. The Bank calculates capital requirements for risks which are not provided for under the standardized approach for credit and market risks and in the basic indicator approach for operational risk, according to the NBR regulations. During 2014 the Bank has updated its internal adequacy computation methodology such as to include Pillar II capital requirements for liquidity risk, risks generated by lending to debtors unhedged to currency risk and a stress testing buffer. As of December 2014 the internal capital requirement expressed as a ratio of regulatory capital was 14.59% while the minimum limit established through the capital management policy was 8%.

In addition to these capital ratios, the Bank assesses its capital adequacy by using the concept of risk bearing capacity to reflect the specific risk profile of the Bank, i.e. comparing the potential losses arising from its operation with the Bank's capacity to bear such losses.

The risk taking potential of the Bank (according with Basel II framework) is defined as the Bank's equity (net of intangibles) plus subordinated debt, which amounted to LEI 170 million (EUR 37.9 million) as of the end of December 2014 (31 December 2013: LEI 161 million (EUR 35.9 million)). The Resources Available to Cover Risk (RAtCR) were set at 60% of the risk-taking potential, i.e. LEI 102 million (EUR 22.8 million).

As at December 2014, the Bank showed a modest level of utilisation of its RAtCR. The economic capital requirements for the significant risks totalled LEI 35.7 mil (EUR 7.97 mil), while the overall utilization level of the Resources Available to Cover Risks stood at 21%.

52) Management of individual risks

In 2014, the management and reporting of individual risks have not been materially modified and were kept in accordance with the local regulations and Basel requirements.

The Bank places special emphasis on a general understanding of the factors driving risk and an ongoing analysis and company-wide discussion of possible developments/scenarios and their potential adverse impacts. The objectives of risk management include ensuring that all material risks are recognised in a timely manner, understood completely, and described appropriately. This includes, for example, ensuring that no products or services are offered unless they are thoroughly understood can be handled by all parties.

The risk management processes include a reporting component to ProCredit Holding AG & Co. KGaA, in line with the specifications included in the Procredit Group's risk management policies.

53) Credit risk

Credit risk is defined as the danger that the party to a credit transaction will not be able, or will only partially be able; to meet its contractually agreed obligations towards the Bank. Credit risk arises from customer credit exposures (classic credit risk), credit exposure from interbank placements and issuer risk (counterparty risk). It is further divided into credit default risk and credit portfolio risk in order to facilitate focused risk management. Credit risk is the single largest risk the Bank faces.

(a) Credit default risk from customer credit exposures

Credit default risk from customer credit exposures is defined as the risk of losses due to a potential non-fulfilment of the contractual payment obligations associated with a customer credit exposure.
The management of credit default risk from customer credit exposures is based on a thorough implementation of the bank's lending principles:

- intensive analysis of the debt capacity of the Banks' clients
- careful documentation of the credit risk assessments, assuring that the analysis performed can be understood by knowledgeable third parties
- rigorous avoidance of over indebting the Bank's clients
- building a personal and long-term relationship with the client and maintaining regular contact
- strict monitoring of loan repayment
- practising tight arrears management
- exercising strict collateral collection in the event of default
- investing in well-trained and highly motivated staff

- implementing carefully designed and well-documented processes
- rigorous application of the "four-eyes principle"

The decision-making process ensures that all credit decisions are taken by a credit committee. As a general principle, the Bank considers it very important to ensure that its lending business is conducted on the basis of organisational guidelines that provide for appropriate rules governing organisational structures and operating procedures; job descriptions that define the respective tasks; a clear allocation of decision-making authority; and a clear definition of responsibilities.

Credit exposures in arrears are defined as credit exposures for which contractual interest and/or principal payments are overdue. The high quality of the loan portfolio compared with the overall banking sector reflects the application of the above lending principles and the results of the application of early warning indicators and appropriate monitoring, in particular of the individually significant credit exposures. This is a crucial element of the Bank's strategy for managing arrears in the current economic crisis that is affecting a large number of its clients. Once arrears occur, the Bank follows up on the non-repayment of the credit exposures, and by so doing typically identifies the potential for default on a credit exposure. Strict rules are applied regarding credit exposures for which, in the Bank's view, there is no realistic prospect that the credit exposure will be repaid and where typically the realisation of collateral has either been completed or the outcome of the realisation process is uncertain. The Bank's recovery and collection efforts are performed by specialised employees, typically with either a lending or legal background.

The effectiveness of this tight credit risk management is reflected in the comparably low arrears rate exhibited by the loan portfolio.

Breakdown of loan portfolio by days in arrears

At December 31, 2014

in LEI	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	> 180 days	Total
Loans to customers							
Individually assessed loans							
Business	23,825,078	451,970	1,238,984	1,057,255	6,286,112	24,376,478	57,235,877
Agricultural	8,814,355	-	307,969	288,662	460,991	3,043,559	12,915,537
Collectively assessed loans							
Business	681,933,339	24,883,143	2,070,358	1,556,590	2,419,593	14,944,237	727,807,261
Agricultural	362,262,472	8,394,023	1,750,109	1,420,911	2,599,403	5,052,552	381,479,471
Housing	1,304,586	175,207	158,237	13,602	13,733	74,215	1,739,580
Consumer	1,948,099	9,869	-	-	-	108,496	2,066,464
Other	759,142	18,792	-	-	-	58,359	836,293
Total	**1,080,847,070**	**33,933,005**	**5,525,658**	**4,337,021**	**11,779,831**	**47,657,896**	**1,184,080,482**

Excluding accrued interest

At December 31, 2013

in LEI	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	> 180 days	Total
Loans to customers							
Individually assessed loans							
Business	29,262,771	561,142	1,740,962	2,093,177	1,751,342	24,104,593	59,513,987
Agricultural	4,323,099	-	1,252,809	-	868,898	1,026,607	7,471,414
Collectively assessed loans							
Business	614,070,263	21,404,227	2,493,838	2,426,384	3,510,567	16,975,346	660,880,625
Agricultural	318,607,655	3,724,497	1,667,289	1,457,859	2,241,202	5,896,722	333,595,225
Housing	2,487,071	232,440	80,458	31,961	38,467	444,104	3,314,501
Consumer	2,411,940	130,107	-	69,653	-	130,234	2,741,934
Other	1,364,396	25,130	-	-	-	66,693	1,456,219
Total	**972,527,195**	**26,077,543**	**7,235,357**	**6,079,034**	**8,410,477**	**48,644,300**	**1,068,973,906**

Excluding accrued interest

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The quality of the loan portfolio is monitored on an on-going basis. The measure for loan portfolio quality is the portfolio at risk (PaR), which the Bank defines as all credit exposures outstanding with one or more payment of interest and/or principal in delay by more than 30 days. This measure was chosen because the vast majority of all credit exposures have fixed instalments with monthly payment of principal and interest. Exceptions are seasonal agricultural loans and the credit line and overdraft facilities. No collateral is deducted and no other exposure-reducing measures are applied when determining PaR.

Additionally, the quality of credit operations is assured by the Risk Control Department which is responsible for monitoring the Bank's credit operations and compliance with its procedures. The unit, made up of experienced lending staff, ensures compliance, in form and substance, with the lending policy and procedures through on-site checks and system screening.

in LEI As at December 31, 2014	Loan portfolio	Allowance for impairment	PAR (> 30 days)	PAR as % of loan portfolio	Write-offs	Write-offs as % of loan portfolio
Total	1,184,080,482	73,897,309	69,300,406	5.85%	10,351,001	0.87%

Excludes accrued interest and its related allowance

in LEI As at December 31, 2013	Loan portfolio	Allowance for impairment	PAR (> 30 days)	PAR as % of loan portfolio	Write-offs	Write-offs as % of loan portfolio
Total	1,068,973,906	66,923,122	70,369,168	6.58%	457,179	0.04%

Excludes accrued interest and its related allowance

The Bank directly reduced the loans fully covered with impairment provisions amounting to LEI 1,054,552 (31 December 2013: LEI 457,179). Moreover, portion of the non-performing loan portfolio was sold during 2014, with the gross amount of LEI 9,296,479 (31 December 2013: LEI 0).

Restructuring of a credit exposure is generally necessitated by economic problems encountered by the client that adversely affect the payment capacity, mostly caused by the significantly changed macro-economic environment in which the bank's clients currently operate. Restructurings follow a thorough, careful and individual analysis of the client's changed payment capacity. The decision to restructure a credit exposure is always taken by a credit committee and aims at full recovery of the credit exposure. If a credit exposure is restructured, amendments are made to the parameters of the loan.

Forborne loans are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider.
As at 31 December 2014, the Bank applied EBA definition in force at this date in regards to forborne loans and in consequence classifies as impaired the forborne nonperforming exposures. The loan portfolio contained forborne loans with an outstanding of LEI 117,197,538 representing 9.9% of total outstanding portfolio (31 December 2013: LEI 128,475,433.

The level of credit exposure defaults to be expected within a given year is analysed regularly, based on past experience in this area. Incurred losses are fully covered with loan loss provisions.

Individually significant credit exposures are reviewed for impairment on an individual basis (= specific impairment). Impairment for individually insignificant credit exposures in arrears is calculated on a portfolio basis at historical default rates; 30 or more days in arrears is considered as objective evidence of impairment. For all unimpaired credit exposures, portfolio-based allowances for impairment are made, again based on historical loss experience.

Credit exposures with a higher risk profile are always covered with collateral, typically through mortgages. Mortgages are revaluated yearly by professional appraisals.

The Bank holds collateral against loans and advances to customers in the form of pledge over cash deposits, mortgage interests over property, guarantees and other pledge over equipment's and/or receivables. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired, except for mortgage interests over property which are reassessed yearly

The collateral presented at the minimum level between loan exposure and collateral value, can be classified into the following categories:

In LEI	As at 31 December 2014	2013	Convenience translation to EUR 2014	2013
Mortgage	617,799,802	591,547,558	137,837,130	131,903,485
Cash collateral	5,558,360	2,089,634	1,240,124	465,947
Guarantees	114,065,473	106,745,860	25,449,114	23,802,230
Inventories	182,505,406	141,136,727	40,718,727	31,470,717
Other	4,618,378	9,692,263	1,030,405	2,161,184
Total	**924,547,420**	**851,212,043**	**206,275,500**	**189,803,564**

The Bank holds collateral and other credit enhancements against certain of its credit exposures.
The table below sets out the collateral amount at market value held against different types of loan product.

	2014		2013	
In LEI	Loan exposure*	Collateral Value	Loan exposure	Collateral Value
Business	785,043,138	1,372,206,351	720,394,612	1,409,733,991
Agricultural	394,395,008	547,006,687	341,066,639	473,931,027
Housing	1,739,580	7,635,396	3,314,501	18,871,099
Consumer	2,066,464	10,993,361	2,741,934	11,672,614
Other	836,293	13,998,699	1,456,219	5,308,383
Total	**1,184,080,482**	**1,951,840,494**	**1,068,973,906**	**1,919,517,114**

*loan principal-unamortized disbursement fee

As of 31 December 2014, the Bank's portfolio consisted of a number of 222 customers – companies undergoing insolvency procedures (excluding exposures for which insolvency request is not yet approved) with a total gross exposure of LEI 32.056.843 and for which the Bank recorded impairment adjustments amounting LEI 24.373.013.

(b) Credit portfolio risk from customer lending

The granularity of the credit exposure portfolio is a highly effective credit risk mitigating factor. The core business of the Bank, lending to very small and small enterprises, necessitated a high degree of standardisation in lending processes and ultimately led to a high degree of diversification of these exposures in terms of geographic distribution and economic sectors. Nevertheless, lending to medium-sized enterprises, i.e. larger credit exposures exceeding the threshold of EUR 250,000, constitutes a supplementary area of the Bank's business in terms of its overall strategic focus. Most of these clients are dynamically growing enterprises that have been working with the Bank for many years. Nonetheless, the higher complexity of these businesses requires an appropriate analysis of the business, the project that is to be financed and any connected entities. A strict division of front and back office functions is applied and requirements for both documentation and collateral are typically more stringent. Overall, the loan portfolio of the Bank includes 89 credit exposures of more than EUR 250,000.

in LEI

As at December 31, 2014	Business	Agricultural	Housing	Consumer	Other	Total
0-50.000 EUR	373,651,848	241,560,446	1,518,314	1,182,976	807,138	618,720,723
50.000-250.000 EUR	282,925,626	106,535,335	236,343	893,608	-	390,590,912
Over 250.000 EUR	136,490,395	54,897,265	-	-	-	191,387,660
Total	**793,067,869**	**402,993,046**	**1,754,657**	**2,076,584**	**807,138**	**1,200,699,294**

in LEI

As at December 31, 2013	Business	Agricultural	Housing	Consumer	Other	Total
0-50.000 EUR	358,991,456	234,554,494	3,099,034	1,773,150	1,473,749	599,891,883
50.000-250.000 EUR	241,059,380	79,282,716	278,248	989,212	-	321,609,555
Over 250.000 EUR	128,633,982	35,481,592	-	-	-	164,115,574
Total	**728,684,818**	**349,318,802**	**3,377,282**	**2,762,362**	**1,473,749**	**1,085,617,012**

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The structure of the loan portfolio is monthly reviewed by Credit Risk Management Committee in order to identify potential events which could have an impact on large areas of the loan portfolio (common risk factors) and, if necessary, limit the exposure towards certain sectors of the economy.

According to the Credit Risk Management Policy and Strategy, all exposures exceeding EUR 1 mil. are approved by the Board of Administration. No single large credit exposure may exceed 25% of the Bank's regulatory capital.

Larger credit exposures are particularly analysed and monitored by the responsible employees through regular monitoring activities enabling early detection of risks. Full information about any related parties is typically collected prior to lending.

Individually significant credit exposures are closely monitored by the Credit Risk Management Committee which is responsible for the approval of the allowances for loan losses built against these exposures. The realisable net value of collateral held is taken into account when deciding on the allowance for impairment.

For the calculation of the individual impairment a discounted cash flow approach is applied. The individual impairment of credit exposures to customers is as follows:

in LEI As at December 2014	Gross outstanding amount	Allowance for specific impairment	Net outstanding amount
Business	59,197,270	31,880,204	27,317,066
Agricultural	13,800,347	3,617,993	10,182,354
Total	**72,997,617**	**35,498,197**	**37,499,420**

in LEI As at December 2013	Gross outstanding amount	Allowance for specific impairment	Net outstanding amount
Business	61,158,344	22,212,912	38,945,431
Agricultural	7,770,160	1,686,699	6,083,461
Total	**68,928,504**	**23,899,611**	**45,028,892**

For individually insignificant credit exposures which show objective evidence of impairment, i.e. which are in arrears for more than 30 days, generally a lump-sum approach is applied; the impairment is determined depending on the number of days in arrears. In addition, individual credit exposures which are regarded as insignificant, or groups of individually insignificant credit exposures, may be classified as impaired if events, such as political unrest, a significant economic downturn, a natural disaster or other external events occur in the country. For all unimpaired credit exposures a portfolio-based impairment is calculated (see also note (9)).

in LEI As at December 2014	Gross outstanding amount	Allowance for lump-sum specific & portfolio based impairment	Net outstanding amount
Business	733,834,769	28,958,722	704,876,046
Agricultural	389,192,700	13,922,957	375,269,743
Housing improvement	1,754,657	181,535	1,573,122
Consumer	2,076,584	187,025	1,889,559
Other	842,968	67,774	775,194
Total	**1,127,701,678**	**43,318,014**	**1,084,383,664**

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in LEI As at December 2013	Gross outstanding amount	Allowance for lump-sum specific & portfolio based impairment	Net outstanding amount
Business	667,526,475	32,187,103	635,339,372
Agricultural	341,548,642	14,553,502	326,995,140
Housing improvement	3,377,282	605,561	2,771,721
Consumer	2,762,362	240,907	2,521,454
Other	1,473,749	88,956	1,384,792
Total	**1,016,688,509**	**47,676,029**	**969,012,480**

54) Financial risk

(a) Counterparty and issuer risk

Conceptual risk management framework

The objective of counterparty and issuer risk management is to prevent the Bank from incurring losses caused by the unwillingness or inability of a financial counterparty (e.g. a commercial bank) or issuer to fulfil its obligations towards the Bank. This type of risk is further divided into:

- principal risk: the risk of losing the amount invested due to the counterparty's failure to repay the principal in full on time
- replacement risk: the risk of loss of an amount equal to the incurred cost of replacing an outstanding deal with an equivalent one on the market
- settlement risk: the risk of loss due to the failure of a counterparty to honour its obligation to deliver assets as contractually agreed
- issuer risk: the probability of loss resulting from the default and insolvency of the issuer of a security

Counterparty and issuer risks evolve especially from the Bank's need to invest liquidity reserve, to conclude foreign exchange transactions, or to buy protection on specific risk positions. The liquidity is placed in the interbank market with short maturities, typically up to three months. Foreign exchange transactions are also concluded with short maturities, up to two days. The Bank's necessity to finance its lending activities through customer funds and through financing from banks and IFIs results in a significant exposure towards National Bank of Romania due to the mandatory reserves requirements.

The counterparty and issuer risks are managed according to the Counterparty Risk Management Policy and Strategy (including Issuer Risk), which describes the counterparty/issuer selection and the limit setting process, as well as by the Treasury Policy, which specifies the set of permissible transactions and rules for their processing. As a matter of principle, only large international banks of systemic importance and, for local currency business, local banks with a good reputation and financial standing are eligible counterparties. As a general rule, the bank applies limits of up to 10% of its capital on exposures to banking groups in non-OECD countries and up to 25% on those in OECD countries.

No transactions are performed unless the counterparty has been previously approved. The approval of counterparties, along with exposure limits and maximum tenors, lies with the Bank's ALCO, for exposure limits below the competence thresholds stated in the dedicated policy, and with the Board of Administration through the Audit and Risk Management Committee, for all others. The approval is based on a thorough assessment which takes into account the financial situation of the counterparties, its reputation and its policy on AML activities.

The risk management policies forbid the Bank to conduct any speculative trading activities. However, for the purpose of investing its liquidity reserve, the Bank is allowed to buy and hold securities (T-bills, bonds or certificates). The inherent issuer risk is managed by the provisions of the Bank's Treasury Policy. Among other requirements, the policy stipulates that the securities should preferably be issued by the government or central bank of the country of operation, or by sovereigns or international and/or multinational institutions with very high credit ratings (international rating of AA- or better).

Facts and figures concerning counterparty and issuer risk

The main reason for incurring counterparty and issuer risk is to keep liquid assets for liquidity risk management purposes, i.e. as a reserve for times of potential stress. These funds are held as cash in commercial bank or central bank accounts, as interbank placements, and in treasury bills issued by Romanian Ministry of Finance. As mentioned above, a substantial part of the Bank's exposure consists of the mandatory reserve required by the central bank and held in a specific central bank account. The Bank did not engage in any transaction with derivatives throughout 2014.

The following table provides an overview of the types of counterparts and issuers with whom the Bank concludes transactions.

in LEI	2014	in %	2013	in %
Cash and cash equivalents				
Central banks	*170,086,998*	*51.8*	*212,396,314*	*74.1*
Mandatory reserve	*153,181,356*	*46.6*	*201,319,842*	*70.3*
Other exposures	*16,905,642*	*5.1*	*11,076,472*	*3.9*
Loans and advances to banks				
Banking groups	111,396,636	*33.9*	*20,313,000*	*7.1*
OECD banks	*26,577,838*	*8.1*	*6,720,621*	*2.3*
Non-OECD banks	*84,702,166*	*25.8*	*13,534,997*	*4.7*
Governments	*116,633*	*0.0*	*57,383*	*0.0*
Available-for-sale financial assets				
Governments	47,106,857	14.3	53,830,806	*18.8*
Total	**328,590,491**	**100.0**	**286,540,120**	**100.0**

Excludes accrued interest

Interbank placements are transactions with banks which are subdivided into those based in OECD countries and those in non-OECD countries. Under the OECD banks the most significant exposure is with ProCredit Bank AG (Germany) and as of Non-OECD banks, the most significant exposures are placements with Romanian Commercial Banks. None of the above exposures are neither past due nor impaired.

(b) Foreign currency risk

Conceptual risk management framework

The assets and liabilities of the Bank are denominated in more than one currency. If the assets and liabilities in one currency do not match, the Bank has an open currency position (OCP) and is exposed to potentially unfavourable changes in exchange rates.

Due to the close economic links between Romania and the Euro area countries, a significant part of the customer funds and of the customer loan portfolio is denominated in Euro. The Bank's operations in other foreign currencies are at a low level and therefore do not pose a significant risk exposure.

Currency risk management is guided by the Foreign Currency Risk Management Policy and Strategy, which is approved by the Board of Administration.

The Treasury Department is responsible for continuously monitoring the developments of exchange rates and foreign currency markets. The Treasury Department also manages the currency positions of the Bank on a daily basis. As a general principle, all currency positions should be closed at end-of-day; long or short positions for speculative purposes are not permitted. The Bank did not engage in any foreign currency derivative transactions in 2014. The Bank's foreign currency exposure is monitored and controlled on a daily basis by the Treasury Back Office unit and is reported weekly to ALCO by the Risk Management Department.

Developments in the foreign exchange markets and the currency positions are regularly reported to the Bank's ALCO, which is authorised to take strategic decisions with regard to treasury activities. The Bank's exposure to foreign currency risk is reported on a monthly basis to the Audit and Risk Management Committee and quarterly to the Board of Administration.

The Bank aims to close currency positions and ensures that an open currency position remains within the limits at all times. For the purpose of currency risk management the Bank has established two levels of control: early warning indicators and limits. In cases where the positions cannot be brought back above 5% of the regulatory capital for a single currency, or 7.5% for the aggregate of all currencies, the bank's ALCO have to be informed and appropriate measures taken. This mechanism helps to ensure that the bank's total OCP does not exceed 10% of regulatory capital. Exemptions from the limit or strategic positions are subject to approval by the Board of Administration.

Facts and figures concerning foreign currency risk

The following table shows the distribution of the Bank's balance sheet items across its material operating currencies, which are USD and EUR.

in LEI As at December 31, 2014	Total	RON	EUR	USD	Other currencies
Assets					
Cash and cash equivalents	211,287,346	118,425,539	90,272,296	2,589,510	-
Loans and advances to banks	111,420,146	64,134,660	44,222,106	2,574,732	488,647
Avaliable-for-sale financial assets	47,425,268	47,425,268	-	-	-
Loans and advances to customers	1,200,699,294	760,292,992	440,386,078	20,224	-
Allowance for losses on loans and advances to customers	-78,816,210	-43,763,505	-35,050,481	-2,225	-
Other assets	13,868,093	12,917,657	747,872	187,916	14,648
Total assets	**1,505,883,936**	**959,432,612**	**540,577,870**	**5,370,158**	**503,296**
Liabilities					
Liabilities to banks	150,583,815	139,375,526	11,208,289	-	-
Liabilities to customers	977,314,297	670,340,047	300,965,005	5,601,435	407,810
Liabilities to international financial institutions	214,425,709	24,644,083	189,781,626	-	-
Provisions	411,813	393,824	17,989	-	-
Other liabilities	5,583,146	4,653,461	927,953	1,733	-
Subordinated debt	39,225,837	-	39,225,837	-	-
Total liabilities	**1,387,544,617**	**839,406,941**	**542,126,699**	**5,603,168**	**407,810**
Net position	**118,339,319**	**120,025,671**	**-1,548,828**	**-233,009**	**95,485**
Open SPOT position (asset/liabilities) third parties	**321**	**190,455**	**-448,210**	**258,076**	**-**
Credit commitments	**115,502,315**	**80,468,328**	**34,739,043**	**294,944.00**	**-**

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in LEI As at December 31, 2013	Total	RON	EUR	USD	Other currencies
Assets					
Cash and cash equivalents	258,912,173	144,674,396	111,645,774	2,592,003	-
Loans and advances to banks	20,334,449	70,761	16,985,655	2,997,686	280,348
Avaliable-for-sale financial assets	54,156,291	54,156,291	0	-	-
Loans and advances to customers	1,085,617,012	644,901,695	440,606,255	109,062	-
Allowance for losses on loans and advances to customers	-71,575,641	-40,707,952	-30,864,136	-3,553	-
Other assets	8,300,878	7,407,547	643,760	236,351	13,221
Total assets	**1,355,745,162**	**810,502,737**	**539,017,308**	**5,931,548**	**293,569**
Liabilities					
Liabilities to banks	45,019,035	33,806,385	11,212,651	-	-
Liabilities to customers	902,807,621	630,579,735	266,152,230	5,929,386	146,270
Liabilities to international financial institutions	253,336,704	34,036,579	219,300,125	-	-
Provisions	350,552	337,545	13,008	-	-
Other liabilities	7,568,346	6,689,351	870,443	1,529.90	7,022.47
Subordinated debt	39,248,592	-	39,248,592	-	-
Total liabilities	**1,248,330,851**	**705,449,594**	**536,797,048**	**5,930,916**	**153,292**
Net position	**107,414,312**	**105,053,143**	**2,220,260**	**632**	**140,276**
Open SPOT position (asset/liabilities) third parties	**3,658**	**1,793,880**	**-1,790,222**	**-**	**-**
Credit commitments	**66,429,131**	**56,918,921**	**9,249,802**	**260,408**	**-**

(c) Interest rate risk

Conceptual risk management framework

Interest rate risk arises from structural differences between the maturities of assets and those of liabilities, e.g. if a four-year fixed interest rate loan is funded with a six-month term deposit, as well as from incongruence between the interest type of the assets and liabilities, e.g. a fixed interest rate loan is financed through a variable interest rate financing facility. This would expose the Bank to the risk that the funding costs will increase before the maturity date of the loan, thus reducing the Bank's margin on the loan.

The Bank's approach to measuring and managing interest rate risk is guided by the Interest Rate Risk Management Policy and Strategy which is approved by the Board of Administration.

The main indicator for managing interest rate risk measures the potential impact on the economic value of all assets and liabilities. The indicator analyses the potential loss that the Bank would incur in the event of very unfavourable movements (shocks) of the interest rates on assets and liabilities. For EUR or USD, a parallel shift of the interest rate curve by +/- 200 bps is assumed. During 2014 for the local currency, the definition of a shock is derived from historic interest rate volatilities over the last seven years. The shocks for local currency also differentiate between internally driven interest rates and market interest rates, in order to capture the basis risk. The potential economic impact on the bank's balance sheet in the worst case scenario (the interest rate shocks are applied in each currency in the direction which negatively affects the Bank) must not exceed 15% of its regulatory capital for all currencies, while in the standard scenario (shocks are applied in the same direction for all currencies) the limit is 10%. A reporting trigger for the latter indicator is set at 5% while for the first one is at 10% per currency, providing an early warning signal.

The potential impact of interest rate risk on the Bank's expected earnings over the next three months is also regularly analysed. This measure indicates how the income statement may be influenced by interest rate risk under a short-term perspective.

Interest rate risk is regularly discussed by the Bank's Assets and Liabilities Management Committee. The indicators are also reported to the Audit and Risk Management Committee and to the Board of Administration.

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In order to limit its interest rate risk, the Bank aims to align the maturities of its balance sheet items which generate interest earnings and interest expenses (natural hedge).

in LEI As at December 31, 2014	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non Interest bearing	Total
Assets								
Cash and cash equivalents	170,086,998	-	-	-	-	-	41,200,347	211,287,346
Loans and advances to banks	103,821,248	-	-	-	-	-	7,598,898	111,420,146
Available-for-sale financial assets	-	16,549,201	30,557,655	-	-	-	318,412	47,425,268
Loans and advances to customers	94,451,531	246,707,887	687,909,769	105,619,621	59,265,705	933,636	5,811,145	1,200,699,294
Total financial assets	**368,359,777**	**263,257,089**	**718,467,424**	**105,619,621**	**59,265,705**	**933,636**	**54,928,802**	**1,570,832,054**
Liabilities								
Liabilities to banks	-	21,875,000	11,205,250	11,086,250	104,520,000	-	1,897,315	150,583,815
Liabilities to customers	430,611,775	206,547,512	156,616,408	121,096,607	53,199,917	-	9,242,079	977,314,297
Liabilities to international financial institutions	16,818,800	11,205,250	157,052,784	-	-	-	29,348,875	214,425,709
Subordinated debt	-	-	-	-	-	39,218,375	7,462	39,225,837
Total financial liabilities	**447,430,575**	**239,627,762**	**324,874,442**	**132,182,857**	**157,719,917**	**39,218,375**	**40,495,731**	**1,381,549,658**
Total interest sensitivity gap	**-79,070,798**	**23,629,327**	**393,592,983**	**-26,563,236**	**-98,454,212**	**-38,284,739**	**14,433,070**	**189,282,395**

in LEI As at December 31, 2013	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non Interest bearing	Total
Assets								
Cash and cash equivalents	212,396,314	-	-	-	-	-	46,515,859	258,912,173
Loans and advances to banks	20,313,000	-	-	-	-	-	21,449	20,334,449
Available-for-sale financial assets	14,952,625	38,878,181	-	-	-	-	325,485	54,156,291
Loans and advances to customers	71,700,647	110,833,352	736,424,650	107,903,540	52,507,343	1,407,736	4,839,744	1,085,617,012
Total financial assets	**319,362,586**	**149,711,533**	**736,424,650**	**107,903,540**	**52,507,343**	**1,407,736**	**51,702,537**	**1,419,019,925**
Liabilities								
Liabilities to banks	-	-	11,211,750	-	32,961,250	-	846,035	45,019,035
Liabilities to customers	375,431,076	232,385,216	167,169,451	91,612,043	23,560,944	-	12,648,892	902,807,621
Liabilities to international financial institutions	33,637,600	33,635,250	185,666,580	-	-	-	397,274	253,336,704
Subordinated debt	-	-	-	-	-	39,241,125	7,467	39,248,592
Total financial liabilities	**409,068,676**	**266,020,466**	**364,047,781**	**91,612,043**	**56,522,194**	**39,241,125**	**13,899,668**	**1,240,411,952**
Total interest sensitivity gap	**-89,706,090**	**-116,308,933**	**372,376,869**	**16,291,498**	**-4,014,851**	**-37,833,389**	**37,802,869**	**178,607,973**

Facts and figures concerning interest rate risk

As specified above, the main interest rate risk indicator is the economic value impact indicator. It measures the impact of interest rate changes on all interest rate-sensitive on- and off-balance sheet items and quantifies the loss in value of the bank given certain changes of interest rates. As described above, the calculation of the economic value impact indicator is based on different parallel shifts of the interest rate curves. For EUR and USD a shift of +/- 200 bps is applied; for the local currency the shift is defined in terms of a historical worst case (+/- 576 bps for internal rates and +/- 455 bps for market rates, as of December 2014).

The following table presents the economic value impact indicator under the worst case scenario, as of December 2014 and December 2013.

in '000 EUR

	2014		**2013**	
Currency	Interest rate sock	Economic value impact	Interest rate sock	Economic value impact
Local	-576 bps/ -455 bps	-1078	+580 bps/ +846 bps	-1620
EUR	-200 bps	-894	-200 bps	-811
USD	-200 bps	-2	-200 bps	-2
Total		**-1974**		**-2433**

(d) Liquidity risk

Conceptual risk management framework

The Bank's liquidity risk management (LRM) system is tailored to the specific characteristics of the Bank. On the one hand, the Bank was founded as a lending institution and financial intermediary for ordinary people. Consequently, its loan portfolio is the largest single component on the asset side, and is primarily funded through locally mobilised deposits. On the other hand, the loan portfolio is characterised by a large number of exposures to small businesses and is therefore highly diversified. The majority of loans are disbursed as instalment term loans, and the default rate is low. Therefore, cash flows are highly predictable. All of these factors justify the use of a relatively simple and straightforward LRM system.

Liquidity risk in the narrowest sense (risk of insolvency) is the danger that the Bank will no longer be able to meet its current and future payment obligations in full, or in a timely manner. Liquidity risk in a broader sense (funding risk) is the danger that additional funding can no longer be obtained, or can only be obtained at increased market interest rates.

The Bank's ALCO determines the liquidity strategy of the Bank and sets the liquidity risk limits. The Treasury Department manages the Bank's liquidity on a daily basis and is responsible for the execution of the ALCO's decisions. Compliance with strategies, policies and limits is constantly monitored by the Treasury Back Office Unit and by the Risk Department.

The standards that the Bank applies in this area are established through the Liquidity Risk Management Policy and Strategy and the Treasury Policy. Limit breaches and exceptions to these policies are subject to decisions of the Board of Administration. The local requirements are complemented by the tools used at the ProCredit group level, thus enhancing local liquidity risk management.

Treasury manages liquidity on a daily level using a cash flow analysis. This tool is designed to provide a realistic picture of the future liquidity situation. It includes assumptions about deposit and loan developments and helps to forecast liquidity risk indicators.

The key tool for measuring liquidity risk is a forward-looking liquidity gap analysis, which shows the contractual maturity structure of the assets and liabilities and estimates future funding needs based on certain assumptions. Starting with the estimation of the future liquidity in a normal financial environment, the assumptions are increasingly tightened in order to analyse the Bank's liquidity situation in a worst-case scenario (stress test).

The main indicator of short-term liquidity is the sufficient liquidity indicator (SLI), which compares the amounts of assets available and liabilities assumed to be due within the next 30 days. It must not fall below 1. This implies that the Bank always has sufficient funds to be able to repay the liabilities simulated to be due within the next 30 days.

This is complemented by the early warning indicators, the foremost being the highly liquid assets indicator, which relates highly liquid assets to customer deposits.

The Bank also analyses its liquidity situation from a more structural perspective, taking into account the liquidity gaps in later time buckets and additional sources of potential liquidity. The liquidity position also takes into account credit lines which can be drawn by the Bank with some time delay, and other assets which take some time to liquidate.

In addition to prescribing the close monitoring of these early warning indicators, the Liquidity Risk Management Policy and Strategy also defines reporting triggers. If the highly liquid asset indicator drops below 20%, or if the depositor concentration rises above 20%, the ALCO takes decisions on appropriate measures.

In order to safeguard the liquidity of the Bank even in stress situations, the potential liquidity needs in different scenarios are determined. The Bank has a liquidity contingency plan which establishes the measures which should be taken if a crisis situation appears at the level of the Bank or the banking system. The liquidity contingency plan is supported by a stand-by line from ProCredit Holding, amounting to EUR 10 million at the end of December 2014.

The internal liquidity management framework complements the regulatory framework, composed of the Liquidity Indicator and, starting with 2014, of the Liquidity Coverage Ratio, both at comfortable levels at the end of December 2014 (LCR stood at 445%).

The Bank also aims to diversify its funding sources. Depositor concentrations are monitored in order to avoid dependencies on a few large depositors. According to the bank's internal guidelines a significant depositor concentration exists if the 10 largest depositors exceed 20% of total customer deposits. This serves as an early warning signal and requires the reasons and mitigating measures to be reported to the ALCO and to the Audit and Risk Management Committee.

The Bank also minimises its dependency on the interbank market. The policies stipulate that the total amount of money market liabilities may not exceed 40% of its available lines and overnight funding may not exceed 4% of total liabilities. Higher limits need to be approved by Board of Administration.

Facts and figures concerning liquidity risk

The following table shows the liquidity gap analysis, i.e. the (undiscounted) cash flows of the financial assets and financial liabilities of the bank according to their remaining contractual maturities. The remaining contractual maturity is defined as the period between the balance sheet date and the contractually agreed due date of the

in LEI As at December 31, 2014	Carrying Amount	Gross amount*	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
Assets								
Cash and cash equivalents	211,287,346	211,318,562	211,318,562	-	-	-	-	-
Loans and advances to banks	111,420,146	111,427,818	111,427,818	-	-	-	-	-
Available-for-sale financial assets	47,425,268	47,872,002	-	16,740,000	31,105,000	-	-	27,002
Loans and advances to customers	1,200,699,294	1,492,331,161	113,342,506	88,209,359	147,962,545	316,424,044	640,711,412	185,681,295
Other assets	2,558,210	3,104,235	14,211	-	-	1,572,248	1,517,776	-
Financial assets	**1,573,390,264**	**1,866,053,777**	**436,103,097**	**104,949,359**	**179,067,545**	**317,996,292**	**642,229,188**	**185,708,297**
Off Balance sheet commitment (assets)	44,821,000	44,821,000	44,821,000	-	-	-	-	-
Total assets	**1,618,211,264**	**1,910,874,777**	**480,924,097**	**104,949,359**	**179,067,545**	**317,996,292**	**642,229,188**	**185,708,297**
Liabilities								
Liabilities to banks	150,583,815	177,000,670	383,588	24,015,249	3,155,329	26,880,849	120,772,581	1,793,073
Liabilities to customers	977,314,297	995,116,476	434,974,569	213,683,863	159,403,935	130,778,420	56,275,691	-
Liabilities to international financial institutions	214,425,709	224,334,729	308,223	11,397,119	8,244,185	29,729,891	121,121,207	53,534,104
Other liabilities	6,029,146	4,422,878	1,155,109	1,788,847	717,512	761,410	-	-
Provisions	411,813	411,813	-	-	42,285	369,528	-	-
Subordinated debt	39,225,837	53,747,639	-	-	-	2,723,771	9,514,541	41,509,327
Financial liabilities	**1,387,990,617**	**1,455,034,206**	**436,821,489**	**250,885,078**	**171,563,246**	**191,243,868**	**307,684,019**	**96,836,505**
Off Balance sheet commitment (liabilities)	115,502,315	115,502,315.10	19,907,190	16,623,059	21,972,906	38,279,991	5,600,519	13,118,651
Total liabilities	**1,503,492,932**	**1,570,536,521**	**456,728,679**	**267,508,137**	**193,536,151**	**229,523,859**	**313,284,538**	**109,955,155**
Open position	**185,399,647**	**411,019,572**	**-718,393**	**-145,935,720**	**7,504,299**	**126,752,424**	**334,545,169**	**88,871,792**
Open position including off Balance sheet commitments	**114,718,332**	**340,338,256**	**24,195,417**	**-162,558,779**	**-14,468,606**	**88,472,433**	**328,944,650**	**75,753,141**

*undiscounted cash flow for financial assets and liabilities

asset or liability, or the due date of a partial payment under the contract for an asset or liability.

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in LEI As at December 31, 2013	Carrying Amount	Gross amount*	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years
Assets								
Cash and cash equivalents	258,912,173	258,973,330	258,973,330	-	-	-	-	-
Loans and advances to banks	20,334,449	20,441,633	20,441,633	-	-	-	-	-
Available-for-sale financial assets	54,156,291	54,517,002	15,000,000	39,490,000	-	-	-	27,002
Loans and advances to customers	1,085,617,012	1,381,142,581	101,186,578	64,364,565	126,951,650	314,682,546	587,152,985	186,804,257
Other assets	2,558,210	2,558,210	12,574	-	-	1,634,445	911,192	-
Financial assets	**1,421,578,135**	**1,717,632,757**	**395,614,114**	**103,854,565**	**126,951,650**	**316,316,991**	**588,064,177**	**186,831,259**
Off Balance sheet commitment (assets)	44,821,000	44,821,000	44,821,000	-	-	-	-	-
Total assets	**1,466,399,135**	**1,762,453,757**	**440,435,114**	**103,854,565**	**126,951,650**	**316,316,991**	**588,064,177**	**186,831,259**
Liabilities								
Liabilities to banks	45,019,035	48,740,038	379,076	838,068	-	1,562,861	45,960,033	-
Liabilities to customers	902,807,621	937,659,803	382,549,485	246,446,840	169,323,233	102,397,105	34,209,749	2,733,390
Liabilities to international financial institutions	253,336,704	270,819,398	-	12,414,938	39,297,217	22,394,130	117,782,848	78,930,265
Other liabilities	6,029,146	6,029,146	3,136,515	1,301,339	743,853	847,439	-	-
Provisions	350,553	350,553	-	-	57,274	293,279	-	-
Subordinated debt	39,248,592	56,504,168	-	-	-	2,725,351	9,527,527	44,251,290
Financial liabilities	**1,246,791,651**	**1,320,103,105**	**386,065,076**	**261,001,185**	**209,421,577**	**130,220,165**	**207,480,158**	**125,914,945**
Off Balance sheet commitment (liabilities)	65,816,889	65,816,889	2,820,139	8,512,672	12,102,893	34,103,680	5,571,223	2,706,282
Total liabilities	**1,312,608,541**	**1,385,919,995**	**388,885,215**	**269,513,857**	**221,524,470**	**164,323,845**	**213,051,381**	**128,621,227**
Open position	**174,786,484**	**397,529,651**	**9,549,038**	**-157,146,619**	**-82,469,927**	**186,096,826**	**380,584,019**	**60,916,314**
Open position including off Balance sheet commitments	**153,790,595**	**376,533,762**	**51,549,899**	**-165,659,292**	**-94,572,820**	**151,993,147**	**375,012,796**	**58,210,032**

*undiscounted cash flow for financial assets and liabilities

Due to the fact that not all cash flows will occur in the future as specified within the contracts, the Bank applies assumptions, especially regarding deposit withdrawals. These assumptions are very conservative.

The core assumptions used for the purposes of calculating the liquidity indicator are as follows:

- 50% of current liabilities to ProCredit institutions (including ProCredit Holding) contractually due at sight will be withdrawn in the next month, another 50% will be withdrawn within the following three months
- 50% of interbank liabilities contractually due at sight will be withdrawn in the next month, another 50% will be withdrawn within the following three months
- 20% of customer deposits contractually due at sight will be withdrawn within the next month, 80% will be withdrawn later
- 5% of exposures guaranteed by the Bank will require a payment within the next month
- 20% of credit lines which the Bank has committed to its customers, but which are currently undrawn, will be drawn within the next month

The goal is to always have sufficient liquidity in order to serve all expected liabilities within the next month. From a technical point of view this implies that the bank's available assets should always exceed the expected liabilities, as calculated by applying the above assumptions.

The expected liquidity gap quantifies the potential liquidity needs within a certain time period if it has a negative value, and it shows a potential excess liquidity, if it has a positive one. This calculation includes positive excess values from the previous time buckets. The expected liquidity gap is the basis for the sufficient liquidity indicator which, as at end of December 2014 stood at 1.89, with a minimum limit of 1.

As mentioned above, the Bank also performs stress test calculations in order to safeguard the liquidity of the bank. As at 31 December 2014 the Bank had a liquidity excess of EUR 1.6 million in the first time bucket according to the internal worst-case stress test calculation.

The Bank aims to rely primarily on customer deposits for its funding. This source is supplemented by funding received from international financial institutions (IFIs), which provide earmarked funds under targeted financing programmes (e.g. for lending to SMEs). In order to further diversify its sources of funds, the bank also maintains relationships with other banks, especially for short-term liquidity lines In addition, ProCredit Holding provides short- and long-term funding.

In order to maintain a high level of diversification among its customer deposits, the bank has implemented a concentration trigger, which aims at ensuring that the ten largest customer deposits do not exceed 20% of total deposits. The ten largest customer deposits in total deposits made up 5.7% as at December 2014, below the warning limit of 20% established through the Liquidity Risk Management Policy and Strategy.

55) Operational risk

Operational risk is recognised as an important risk factor for the bank, given that it relies on decentralised processing and decision-making. In line with Basel definition, the bank defines operational risks as the risk of loss resulting from inadequate or failed internal processes, people and systems and/or external events. This category includes all "risk events" in the areas of personnel, processes, and information technology. A dedicated Operational Risk Management Policy and Strategy establishes the principles of operational risk management.
The overall framework for managing operational risks is best described as a complementary and balanced system comprising the following key components: Corporate Culture, Governance Framework, Policies and Procedures, Risk Assessments, New Risk Approvals (NRAs), Key Risk Indicators and the Risk Event Database. While the Corporate Culture, the Governance Framework, and Policies and Procedures define the basic cultural and organisational parameters, Risk Assessments, New Risk Approvals (NRAs), Key Risk Indicators and the Risk Event Database form the key instruments with which the risk management process is executed.

The overall objectives of the Bank's approach to the management of operational risks are:

- to understand the drivers of the operational risks
- to be able to identify critical issues as early as possible
- to avoid losses caused by operational risks; and
- to ensure efficient use of the capital.

To deliver on these goals the following tools and processes have been implemented within the framework outlined above. They are presented in the sequence in which they are used within the operational risk management process. This process is subdivided into the following phases: identification, evaluation, monitoring, control, and follow up.

- **Identification**
  - Annual operational and fraud risk assessments
  - New risk approval (NRA) process
  - Risk identification and documentation in the Risk Event Database (RED)
  - Ad hoc identification of potential risks

- **Evaluation / quantification**
  - Agreed standards to quantify risks

- **Monitoring and control**
  - Process owners' responsibility to monitor risks
  - Key risk indicators (KRIs) and operational risk reports, risk bearing capacity calculation and monitoring in the Operational Risk Management Committee and Audit and Risk Management Committee
  - Management summaries for the significant risk events
  - Implementation of measures to avoid, reduce or mitigate the risks depending on priorities, efficiency considerations and regulations
  - Transfer of risk to an insurer, if appropriate

- **Issue tracking / follow-up tables for material action plans**
  - Follow-up of the measures taken by the Operational Risk Management Committee or by the Bank's Managers

To constantly enhance the professional standards of the Bank, in 2014 it continued to make use of local training facilities, the regional ProCredit Academy and the international ProCredit Academy in Fürth, Germany. Training programmes for candidates for management positions include various sessions focusing explicitly on operational risk management. Risk awareness training is delivered annually to all staff as well as to all newly hired employees.

56) Reputational risk

Reputational risk is recognised as a significant risk to which the Bank is exposed. It is defined as the current or future risk that the profits or capital would be negatively affected due to the unfavourable image of the Bank as perceived by clients, counterparties, shareholders, investors or supervisory authorities.
The Bank monitors all events with potential reputational implications through operational risk events identification, continuous monitoring of the media exposure and monthly monitoring of customer complaints. The monitoring results are reported to the Operational Risk Management Committee which may take measures to mitigate the effects of a reputational risk event.

The Bank aims to keep the degree of responsibility and professionalism of its employees at a high level in order to mitigate its exposure to reputational risk. Therefore, the various training programmes specified in the previous section have become part of the Bank's organisational culture. Relationships with clients have always been based on the principles of transparency and responsibility, thus fostering a good image for the Bank.

57) Compliance Risk

The Compliance risk is defined as the risk that a credit institution to suffer the sanctions set by the regulatory framework, to register significant losses or reputational impact by not complying with the regulatory framework provisions, internal regulations or other applicable best practices.

The management of compliance risk is performed at the Bank level within three committees and within the Audit and Risk Management Committee. The financial covenants included in the refinancing contracts of the Bank are monitored on a monthly basis within the ALCO. The risks regarding money laundering and financing of terrorism activities are monitored in the AML&CFT on a quarterly basis. The changes in legislation and their implementation are monitored in the OPRC on a monthly basis.

The Bank's organizational structure includes the Compliance Department that has the role of assisting the Bank's Managers in order to properly manage the compliance risk

58) Business Risk (including strategic risk)

The strategic risk represents the current or future risk of negative impact on earnings and capital arising from changes in the business environment or from adverse business decisions, improper implementation of decisions, or lack of response to changes in the business environment.

The Bank includes the business risk (which includes the strategic risk) in the category of significant risks as, according to the developments of the past years in terms of the changes in the business environment mostly triggered by the financial crisis, we faced significant problems regarding the achievement of the business objectives. In these circumstances, the Bank's Board of Administration defines the business risk target profile in order to control the Bank's exposure to this risk.

The exposure to this risk is monitored regularly in the monthly meetings of the ALCO.

59) Organizational of the risk management function

The responsibility for the risk management of the Bank lies with the Bank's Managers and with the Board of Administration.

The risk management function comprises two of the Bank's divisions, Credit Risk Division and Risk Division. The Risk Division is responsible for the management all significant risks, while the Credit Risk Division is responsible specifically for credit risk management at individual exposure level. Both organisational units report to a Deputy General Manager. Additionally, the Risk Division reports to the Board of Administration. The risk division comprises a Risk Management Department, responsible for the identification, evaluation, monitoring and reporting of risk exposures, and an Internal Control Department. The Risk Division is not involved in any way with the Bank's customer service operations (credit or deposit business) or trading operations. The Risk Management Department reports regularly to the corresponding organisational units at ProCredit Holding.

The Bank's exposure to risks is monitored and controlled by the Audit and Risk Management Committee, a permanent, specialized committee of the Board of Administration. Detailed monitoring of specific risks is performed by various other committees, at Bank level: the Credit Risk Management Committee (credit risk), the Assets and Liabilities Management Committee (counterparty risk, liquidity risk, and market risks), the Operational Risk Management Committee (operational risk and reputational risk) and the AML&CFT Committee (anti-money laundering and combating the financing of terrorism).

The Bank's risk policies address all significant risks and set standards that enable risks to be identified early and to be managed appropriately. The Risk Management Department carries out regular monitoring to ensure that the total volume of all risks incurred does not exceed the limits approved. The results of the monitoring are reported to the specialized committees at Bank level, to the Audit and Risk Management Committee and to the Board of Administration.

F. Additional Notes

60) Fair value of financial instruments

The following table gives an overview of the carrying amounts and fair values of the financial assets and liabilities according to the classes of financial instruments, defined in accordance with the business of the Bank.

2014

in LEI

Financial assets	Category	Carrying value	Total fair value	Level 1	of which Level 2	Level 3
Cash and balances at central bank	AFV	211,287,346	211,287,346	211,287,346	-	-
Loans and advances to banks	LaR	111,420,146	111,420,146	-	28,147,116	83,273,030
Available-for-sale financial assets including cash equivalents	AfS	47,425,268	47,425,268	-	47,398,266	27,002
Loans and advances to customers	LaR	1,200,699,294	1,014,350,358	-	-	1,014,350,358
Total		**1,570,832,054**	**1,384,483,117**	**211,287,346**	**75,545,382**	**1,097,650,390**

Financial Liabilities	Category	Carrying value	Total fair value	Level 1	Level 2	Level 3
Liabilities to banks	AFV	150,583,815	149,979,715	-	-	149,979,715
Liabilities to customers	AC	977,314,297	975,643,088	-	284,665,873	690,977,215
Liabilities to international financial institutions	AC	214,425,709	214,295,453	-	-	214,295,453
Subordinated debt	AC	39,225,837	39,445,960	-	-	39,445,960
Total		**1,381,549,658**	**1,379,364,217**	**-**	**284,665,873**	**1,094,698,344**

Categories: AFV - At Fair value; LaR - Loans and Receivables, AfS - Available-for-sale; AC - Amortised cost

2013

in LEI

Financial assets	Category	Carrying value	Total fair value	Level 1	of which Level 2	Level 3
Cash and balances at central bank	AFV	258,912,173	258,912,173	258,912,173	-	-
Loans and advances to banks	LaR	20,334,449	20,334,449	-	8,515,049	11,819,400
Available-for-sale financial assets including cash equivalents	AfS	54,156,291	54,156,291	-	54,129,289	27,002
Loans and advances to customers	LaR	1,085,617,012	1,038,830,382	-	-	1,038,830,382
Total		**1,419,019,925**	**1,372,233,295**	**258,912,173**	**62,644,338**	**1,050,676,784**

Financial Liabilities	Category	Carrying value	Total fair value	Level 1	Level 2	Level 3
Liabilities to banks	AFV	45,019,035	45,055,369	-	45,055,369	-
Liabilities to customers	AC	902,807,621	904,573,216	-	186,719,406	717,853,810
Liabilities to international financial institutions	AC	253,336,704	253,411,942	-	-	253,411,942
Subordinated debt	AC	39,248,592	37,874,446	-	-	37,874,446
Total		**1,240,411,952**	**1,240,914,973**	**-**	**231,774,775**	**1,009,140,198**

Categories: AFV - At Fair value; LaR - Loans and Receivables, AfS - Available-for-sale; AC - Amortised cost

The item "cash and balances at central banks" includes cash at hand and balances at central banks including mandatory reserve disclosed under "cash and cash equivalents" (see note 34).

The fair value of claims and term deposits at variable rates of interest is identical to their carrying amounts. The fair value of claims and liabilities at fixed rates of interest was determined using the discounted cash flow method, using money market interest rates for financial instruments with similar default risks and similar remaining terms to maturity.

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The estimated fair value of the receivables corresponds to the discounted amount of the estimated expected future cash flows, i.e. net of allowance for impairment. The expected cash flows are discounted to fair value at the current market interest rates.

For the fair value measurement of financial instruments which are carried at fair value only in rare circumstances is the fair value calculated based on current observable market data by using a valuation technique. The valuation techniques applied are references to the current fair value of other instruments that are substantially the same and discounted cash flow analysis using observable market parameters, e.g. interest rates and foreign exchange rate.

Level 2 debt investments are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

The fair value of loans and advances to customers was determined using the discounted cash flow method, using the current market rates for end of the year, published by the Bank on its website for loans with similar default risks and similar remaining terms to maturity.

The fair value of liabilities to customers was determined using the discounted cash flow method, using the current market rates for end of the year, published by the Bank on its website for deposits with similar remaining terms to maturity. For deposits with no stated maturity (i.e. Current Accounts and Saving Accounts) the fair value it's equal to carrying value in the balance sheet.

The estimated fair value of the receivables corresponds to the discounted amount of the estimated expected future cash flows, i.e. net of allowance for impairment. The expected cash flows are discounted to fair value at the current market interest rates.

In case observable market rates are not available to determine the fair value of financial liabilities measured at amortized cost, ProCredit Bank Treasury rates are used as an input for a discounted cash flow model. These are presented as level 3 input factors. Treasury department rates are determined considering the cost of capital depending on currencies and maturities plus a risk margin that depends on an internal risk rating for each institution. These internal rates are regularly compared to those applied for third party transactions and are therefore in compliance with the arms lengths principle.

There have been no transfers between the input levels of the fair value hierarchy.

61) Contingent liabilities and commitments

	As at 31 December	
in LEI	**2014**	**2013**
Sureties and guarantees	6,005,295	5,792,129
Performance bonds	3,085,272	1,805,700
Commitments to extend credit	106,411,748	58,831,302
Total	**115,502,315**	**66,429,131**

The above table discloses the nominal principal amounts of contingent liabilities, commitments and guarantees, i.e. the amounts at risk, should contracts be fully drawn upon and clients default. It is expected that a significant portion of guarantees and commitments will expire without being drawn upon; therefore the total of the contractual amounts is not representative of future liquidity requirements. An estimate of the amount and timing of outflow is not practicable.

62) Related party transactions

The Bank entered into a number of banking transactions with related parties in the normal course of business.

The list of related parties and description of the nature of relationship is as follows:

Name	Relationship
ProCredit Holding AG & Co. KGaA	Shareholder
ProCredit Bank Germany	Bank of the group
ProCredit Bank Bulgaria	Bank of the group
ProCredit Academy Macedonien	Group company
Shipeke Kosovo - Quipu Ges.	Group company
ProCredit Academy	Group company
Quipu GmBH	Group company
IPC International	Shareholder

The ultimate parent company of the bank is ProCredit Holding AG & Co. KGaA. During the year ended 31 December 2014 and the year ended 31 December 2013 the following transactions were carried out with the shareholders and other related parties from the Bank and Group.

in LEI	1.1.-31.12.2014	1.1.-31.12.2013	1.1.-31.12.2014	1.1.-31.12.2013
Income	15,287	11,207	3,411	2,499
Expense	17,695,987	12,085,088	3,948,147	2,694,737
Net income	**-17,680,700**	**-12,073,881**	**-3,944,736**	**-2,692,238**

Outstanding balances of the Bank with the shareholders and other related parties

(as at year-end)	As at 31 December		Convenience translation to EUR *	
in LEI	2014	2013	2014	2013
Assets				
Loans and advances to banks	21,341,776	5,688,975	4,761,557	1,268,530
Loans and advances to customers	-	253,175	-	56,453
Allowance for losses on loans and advances to customers	-	1,899	-	423
Other receivable	60,254	231,309	13,443	51,577
Total Assets	**21,402,030**	**6,175,358**	**4,775,001**	**1,376,983**
Liabilities				
Liabilities to banks (including ProCredit Holding)	151,289,985	45,019,035	33,754,264	10,038,360
Liabilities to customers	2,237,409	3,792,699	499,188	845,697
Subordinated debt	39,225,837	39,248,592	8,751,665	8,751,665
Other payable	-	910,670	-	203,062
Total Liabilities	**192,753,232**	**88,970,996**	**43,005,116**	**19,838,784**
Off-balance sheet positions				
Credit line	44,821,000	44,847,000	10,000,000	10,000,000
Loan commitment	14,500	21,437	3,235	4,780
Total Off-balance sheet positions	**44,835,500**	**44,868,437**	**10,003,235**	**10,004,780**

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63) Management compensation

During the reporting period, total compensation paid to the management of the bank amounted to:

in LEI	1.1.-31.12.2014	1.1.-31.12.2013	Convenience translation to EUR 1.1.-31.12.2014	Convenience translation to EUR 1.1.-31.12.2013
Management board salaries	1,999,817	1,762,598	449,943	398,870
Total	**1,999,817**	**1,762,598**	**449,943**	**398,870**

The members of the Supervisory Board do not receive any compensation from the Bank.

64) Number of Employees

	2014		2013	
	Average	At year end	Average	At year end
General Manager	1	1	1	1
Deputy General Manager	2	3	1	1
Head Office Staff	232	230	251	232
Branches/Agencies Staff	415	393	424	434
Total Staff		**627**		**668**

65) Significant post-balance sheet events

No significant events post-balance sheet events

66) Exchange rates

For the balance sheet and the income statement the following exchange rates were applied for convenience translation:

Currency code	2014 At balance sheet date	2014 Average for the year	2013 At balance sheet date	2013 Average for the year
EUR	4.4821	4.4446	4.4847	4.4190
USD	3.2551	3.3205	3.3575	3.4682

67) Address and general information

ProCredit Bank S.A. is domiciled in Romania. The Bank was established in Romania in July 2002 (until November 2004 the Bank was known as Microfinance Bank MIRO S.A.), and is licensed by the National Bank of Romania to conduct banking activities.

The Bank operates through its head office located in Bucharest and through its network consisting of 23 branches (31 December 2013: 22) and 5 agencies (31 December 2013: 5) located in Romania.

The current registered office of the Bank is located at:

62 – 64 Buzesti Street,
Bucharest, Sector 1
Romania

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Part of the ProCredit Group

ProCredit Bank

The Bank is managed by a Board of Directors made up of 5 members (31 December 2013:5 members); lead by a Chairperson. The composition of the Board of Directors was as follows:

Position	31 December 2014	31 December 2013
Chairperson	Dr. Antje Marielle Gerhold	Dr. Anja Lepp
Member	Gian Marco Felice	Gian Marco Felice
Member	Ivaylo Blagoev	Ivaylo Blagoev
Member	Rainer Peter Ottenstein	Rainer Peter Ottenstein
Member	-	Dr. Dietrich Ohse
Member	Helen Alexander	-

Cosmin Ciobanu
Deputy General Manager

Cristina Sindile
Deputy General Manager

Marius Slemco
Head of Finance Department

Bucharest, 30 April 2015

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TRANSLATOR'S EXPLANATORY NOTE: The above translation of the financial statements is provided as a free translation from Romanian which is the official and binding version