BANCA ROMÂNEASCĂ S.A.
Member of the NBG Group

Pillar III Disclosures

31 December 2014

Content

1. REGULATORY VS. ACCOUNTING CONSOLIDATION

Banca Romaneasca issued for the year 2014 the financial statements as per IFRS, at both individual and consolidated level.

Consolidated IFRS financial statements of Banca Romaneasca includes the Bank subsidiary "NBG Leasing Romania S.A." which is consolidated using the fully consolidation method as the company is controlled by the bank with 93.57% of shares, following the acquisition since 2012.

Capital adequacy for closing 2014 is based on the bank financial statements as of December 31, 2014 (IFRS individual level and consolidated level).

2. REGULATORY OWN FUNDS AND CAPITAL ADEQUACY

2.1 Own Funds' structure

Regulatory capital is classified under two main categories: Tier I (divided in CET1 and AT1) and Tier II capital, according to the National Bank of Romania Regulation no. 5/2013 regarding prudential requirements for credit institutions and also UE Regulation 575/2013.

Tier I capital includes the Bank's shareholders equity, net result, capital premium and eligible reserves. The following items are deducted from Tier I capital as prudential adjustments:

- Income tax and penalties for reserves
- Net intangible assets
- 100% BROM participation in NBG Leasing Romania S.A.
- 40% Prudential filters for credit risk provisions (net of taxes)
- Unrealized gains for available for sales reserves (net of taxes)

Tier II capital includes the subordinated loan from National Bank of Greece less following prudential adjustments:

- 100% subordinated loan granted to NBG Leasing Romania S.A.
- 40% Prudential filters for credit risk provisions (net of taxes)
- Unrealized gains for available for sales reserves (net of taxes) 45%

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	31.12.2014 IFRS individual level	**31.12.2014 IFRS consolidated level**	**31.12.2013 IFRS individual level**	**31.12.2013 IFRS consolidated level**
Total Regulatory Capital	**595,025**	**734,009**	**517,945**	**792,338**
of which: *equity & subordinated loans*	*1,126,677*	*1,137,512*	*1,126,845*	*1,140,299*
(-) Deductions	*-322,912*	*-84,723*	*-437,110*	*-106,093*
Tier 1	**371,816**	**431,837**	**446,514**	**528,225**
(+) share capital	835,340	835,340	835,340	835,340
(+) Retained earnings	-290,163	-435,614	-243,144	-344,667
(+) Reserves and other comprehensive income	81,423	113,716	71,354	102,647
(-) Deductions	-254,784	-84,723	-217,035	-65,246
Minority interest	0	3118		151
Tier II	**223,209**	**302,172**	**71,431**	**264,113**
(+) Subordinated loan	291,337	302,172	291,506	304,960
(-) Deductions	-68,128	0	-220,075	-40,847

Own funds disclosure (annexes IV and VI of Commission implementing regulation (EU) No 1423/2013)

RON k	Individual level		Consolidated level	
	Phased-in 31.12.2014	Fully-loaded 31.12.2014	Phased-in 31.12.2014	Fully-loaded 31.12.2014
Common Equity Tier 1 capital : instruments and reserves				
Capital instruments and the related share premium accounts	835,340	835,340	835,340	835,340
of which :	835,340	835,340	835,340	835,340
Retained earnings	-290,163	-290,163	-435,614	-435,614
Accumulated other comprehensive income	43,800	43,800	43,800	43,800
Reserves	37,623	37,623	69,916	69,916
Minority interests (amount allowed in consolidated CET1)			3,118	3,118
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**626,600**	**626,600**	**516,560**	**516,560**
Common Equity Tier 1 capital : regulatory adjustments				
Intangible assets (net of related tax liability)	-23,032	-23,032	-23,042	-23,042
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	-41,821	-41,821	-17,742	-17,742
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-66,978	-66,978	0	0
Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-43,939	0	-43,939	0
Of which: unrealised gains for AFS Instruments	-43,939	0	-43,939	0
Qualifying AT1 deductions that exceed the AT1 capital of the institution	-79,014	0	0	0
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-254,784**	**-131,831**	**-84,723**	**-40,784**
Common Equity Tier 1 (CET1) capital	**371,816**	**494,769**	**431,837**	**475,776**
Additional Tier 1 (AT1) capital: instruments				
Additional Tier 1 (AT1) capital: regulatory adjustments				
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	79,014	0	0	0
Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre CRR	-79,014	0	0	0
Tier 1 capital (T1=CET1+AT1)	**371,816**	**494,769**	**431,837**	**475,776**
Tier 2 (T2) capital: instruments and provisions				
Capital instruments and the related share premium accounts	291,337	291,337	302,172	302,172
Tier 2 (T2) capital before regulatory adjustments	**291,337**	**291,337**	**302,172**	**302,172**
Tier 2 (T2) capital: regulatory adjustments				
Direct and indirect synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities	-8,885	-8,885	0	0
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-59,243	0	0	0
Total regulatory adjustments to Tier 2 (T2) capital	**-68,128**	**-8,885**	**0**	**0**
Tier 2 (T2) capital	**223,209**	**282,452**	**302,172**	**302,172**
Total capital (TC=T1+T2)	**595,025**	**777,221**	**734,009**	**777,948**

2.2 Capital adequacy

2.2.1 Own Funds requirements

The table below presents the own funds requirements of Banca Romaneasca as of 31.12.2014, in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and NBR Regulation no.5/2013 regarding prudential requirements of credit institutions. For credit risk the bank uses standardized approach according to Regulation (EU) No 575/2013 and for operational risk the basic indicator approach, in accordance with Regulation (EU) No 575/2013. In case of market risk the bank computes own funds requirements for foreign exchange risk, in accordance with Regulation (EU) No 575/2013.

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Credit risk & Counterparty Credit Risk (Standardized Approach)	**Own Funds Requirements 31.12.2014 (individual)**	**Own Funds Requirements 31.12.2014 (consolidated)**
Asset Class		
Central governments or central banks	0	0
Regional governments or local authorities	2,362	2,563
Public sector entities	762	814
Multilateral development banks	0	0
International organizations	0	0
Institutions, out of which:	74,786	74,786
- counterparty credit risk	*27,623*	*27,623*
Corporates	465,720	476,387
Retail	933,060	948,483
Secured by mortgages on immovable property	717,737	727,358
Exposures in Default	241,062	294,887
Items associated with particularly high risk	35,065	35,065
Covered bonds	0	0
Institutions and corporates with a short-term credit assessment	0	0
Units or shares in collective investment undertakings ('CIUs')	0	0
Equity	0	0
Other items	81,936	170,528
Total Credit Risk & Counterparty Risk	**2,552,489**	**2,730,871**
Market Risk	**18,199**	**187,464**
Foreign exchange	18,199	187,464
CVA	**25,778**	**25,778**
Operational Risk	**383,807**	**402,074**
Total Own funds requirements	**2,980,273**	**3,346,186**
Own funds requirements related to Pillar II adjustments	**139,656**	**139,656**
Total Own funds requirements including Pillar II adjustments	**3,119,929**	**3,485,842**

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Capital Adequacy Ratios	Individual 31.12.2014	Consolidated* 31.12.2014
Tier 1 Capital	371,816	431,837
Total Own funds	595,025	734,010
Total Own funds requirements	2,980,273	3,346,186
Total Own funds requirements including Pillar II adjustments	3,119,929	3,485,842
Tier I Capital Adequacy Ratio	**12.48%**	**12.91%**
Total Capital Ratio	**19.97%**	**21.94%**
Tier I Capital Adequacy Ratio including Pillar II adjustments	**11.92%**	**12.39%**
Total Capital Ratio including Pillar II adjustments	**19.07%**	**21.06%**

* In accordance with REGULATION No 5 of 20 December 2013 on prudential requirements for credit institutions the prudential filters are not deducted from consolidated own funds.

2.2.2 Leverage ratio

The table below presents the leverage ratios of Banca Romaneasca as of 31.12.2014, computed in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

Leverage Ratio	Individual 31.12.2014	Consolidated 31.12.2014
Leverage Ratio - using a fully phased-in definition of Tier 1	7.07%	6.69%
Leverage Ratio - using a transitional definition of Tier 1	5.22%	6.03%

2.2.3 Internal Capital Adequacy Assessment Process ("ICAAP")

According to Basel III Capital Adequacy Framework, Pillar I sets the ways of measuring risks, especially credit, market and operational risks and aims to the alignment of the capital requirements with the risks undertaken.
The above rules are completed by Pillar II, which sets the requirements for monitoring, assessing and controlling all material risks to which credit institutions are exposed. Those requirements are associated with the Internal Capital Adequacy Assessment Process (ICAAP) applied by credit institutions.

The Bank recognizes the importance of an effective Internal Capital Adequacy Assessment Process (ICAAP). The development and implementation of ICAAP aims at ensuring the adequacy of the credit institutions' own funds for covering the various types of material risks which they are exposed to, as a result of their business activities.

The ICAAP objectives are:

- the proper identification, measurement, control and overall assessment of all material risks;
- the development of the appropriate systems for the measurement and management of those risks;
- the internal evaluation of the capital required for the mitigation of risks ("internal capital").

In this respect, the bank has developed an internal regulatory framework respectively the Policy and Methodology for the Internal Capital Adequacy Assessment Process (ICAAP).

The bank performed the ICAAP exercise for the year 2014 by estimating the relevant internal capital for all major risk types. The ICAAP contains the following:

- Risk profile assessment
- Risk measurement and internal capital adequacy assessment

- Stress testing development, analysis and evaluation
- ICAAP reporting framework
- ICAAP documentation

Banca Romaneasca has recognized and analyzed under the ICAAP the following risks to which it is exposed, including also the regulatory risks (for which the capital requirement may be adjusted/differently approached): credit risk, including credit concentration risk, residual risk and FX on lending, operational risk, market risk – FX risk, credit valuation adjustment risk, interest rate risk in the banking portfolio, liquidity risk, country risk, reputation risk, strategic risk and uncontrollable risks.

Internal capital requirements are computed per each risk type, then summed up for all the risks and compared with the assessed internal capital. Calculations were based on the methodologies that have already been developed in the ICAAP Framework. Results showed that the bank has sufficient capital to cover the material risks that it is exposed to in its business activities, registering a comfortable level of the internal capital ratio (12.50%% at individual level and 14.99% at consolidated level), higher than the regulatory limit or the limit established through the Significant Risks Strategy. Also, further the capital planning performed for 2015, it resulted that the bank will not be in need for additional funding.

3. RISK MANAGEMENT FRAMEWORK

The bank acknowledges the need for enhanced risk management and risk control and has established the Risk Management Unit to properly measure, analyse, manage and control the risks entailed in all its business activities.
The main responsibilities of Risk Management Unit are:

- In the area of risk management:
  - On-going risk monitoring and management of the lending portfolio;
  - Monitoring, evaluating risks undertaken by the business units and ensuring adequate risk management tools.
- In the area of risk control, part of risk management function:
  - Ensure the compliance with risk policies, by taking into consideration all risks identified through the risk assessment process.

The Risk Management Unit is headed by the Risk Executive Director, including the following structures, which address all types of risks: Corporate Credit Risk Division, Retail Credit Risk Division, Risk Control Division, Remedial Management Division and Risk Monitoring Department.

3.1 Credit Risk

According to the bank's Strategy for the Management of Significant Risks, the credit granting processes refers to:

- Sound, well-defined credit-granting criteria based on the particular target market, the borrower or counterparty, as well as the purpose and structure of the credit and its source of repayment.
- Credit limits that aggregate in a comparable and meaningful manner different types of exposures, at various levels: individual borrowers and counterparties, groups of connected borrowers and counterparties, industry limits, product limits
- Clearly established procedures for approving new credits as well as the amendment, renewal and re-financing of existing credits.

The Bank's objective is to maintain appropriate on-going credit administration, measurement and monitoring processes, including in particular:

- Sufficient and fully documented credit risk policies, ensuring consistency across the Bank and acknowledging key regulatory requirements.
- Information systems and analytical techniques that enable measurement and monitoring of credit risk inherent in all relevant activities, providing adequate information/reports on the composition of the loan portfolio and its evolution, including identification of any specific risks (like for example concentration risk).

The Bank follows adequate internal controls over the credit risk related processes, including:

- Proper management of the credit-granting functions ensuring that credit exposures are within set limits.

- Periodical early remedial actions on deteriorating credits, managing problem credits and similar workout situations.
- Independent, on-going assessment of the credit risk management processes by Internal Audit, covering in particular the credit risk systems/models employed by the Bank.

3.1.1 Credit Policy for the Corporate Portfolio

The bank's Corporate Credit Policy provides with the fundamentals in managing credit risk in the Corporate Banking Portfolio regarding identification, measurement, approval, monitoring and reporting credit risk. The credit policy establishes the principles to be followed in the credit granting activity in order to ensure sound practices and a good quality corporate loan portfolio. The policy has been designed in accordance with the current best practice standards and in compliance with the regulatory framework in place. The control of the credit risk is performed in accordance with the provisions of the policy and in conjunction with the Lending Norm, the Risk Management Strategy for Significant Risks and other relevant procedures.

3.1.2 Credit Policy for the Retail Portfolio

The bank undertakes and manages retail credit risk, but the achievement of predetermined targets has to be corroborated with satisfying the clientele's needs and maintaining simultaneously a healthy portfolio. The credit policy has a fundamental role in the achievement of this triple balance.
The Credit Policy for the Retail Banking Portfolio sets the credit criteria, the policies and procedures which determine the framework for managing and minimizing the retail credit risks undertaken by the bank. The Policy serves to establish a common approach for managing retail banking risk and to set the framework for the basic credit criteria.
The basic aim is to approach clients in accordance with the rules and the risk appetite of the Bank.

3.2 Market Risk

The most significant type of Market Risk to which the Bank is exposed to is Foreign Exchange (FX) Risk

Foreign Exchange Risk arises from the bank's Open Currency Position ("OCP"). In order to ensure the correct estimation and the efficient management and monitoring of the Market Risk that derives from the bank's activities, Risk Management Unit calculates on a daily basis the Value-at-Risk of the Open Currency Position. The Bank performs spot, forward and foreign currency swap transactions. Transactions may be performed only with pre-approved counterparties. The Open Currency Position Risk monitoring is assured through the observance of the internally defined limits.

The market risk has been limited during 2014 as the Bank has not been involved in trading activities. All the securities – treasury bills, certificates of deposit issued by NBR and bonds issued by the Romanian Government – are booked in the available for sale portfolio due to lack of any transaction activity and intention of transaction further to their acquisition on the primary or secondary market.

3.3 Liquidity Risk

For monitoring the impact of the liquidity risk, the bank employs the following methodologies:

- monitors the Liquidity Gap Report
- monitors regulatory and internal liquidity indicators
- monitors the Large Providers of Funds.

The bank's objective regarding the liquidity risk is to maintain an adequate liquidity level provided that the necessary resources are ensured to support the budget objectives. ALCO has the responsibility to monitor the liquidity of the bank and its evolution on each category of assets and liabilities.
The Treasury Division has the responsibility to monitor and to assure the day to day liquidity of the bank's operations.

3.4 Operational Risk

Banca Romaneasca has implemented the Operational Risk Management Framework, in order to address operational risks effectively and meet the requirements of regulatory compliance. Through this framework are applied four methodologies for monitoring the operational risk:

- Risk and Controls Self-Assessment (RCSA)
- Key Risk Indicators (KRIs)
- Loss Event Data Collection
- Action Planning

Risk Management Unit also reviews and monitors the bank's operational risk profile on an ongoing basis, developing and implementing appropriate action plans with a view to ensuring that the necessary measures are in place for preventing or mitigating operational risks. The main responsibilities are: monitoring operational risk events, reporting to and updating the operational loss database, computing and reporting synthetic data to the management of the bank, monitoring and assessing the outsourced activities, monitoring the fraud suspicious transactions and the evolution of the implementation of actions related to cases of fraud, ttesting and maintaining "Business Continuity and Crisis Management Framework Procedure".
For operational risk mitigation and in order to reduce the impact of operational loss, the bank has concluded two insurance policies, as follows:
- Bankers Insurance and Electronic and Computer Crime Insurance
- Directors' and Officers' Liability and Company Indemnity Policy

3.5 Capital Adequacy

In order to ensure the Bank's compliance with the regulatory framework as well as to provide the Bank's Management with consistent risk management information, Risk Management Unit is responsible for reporting capital requirements and capital adequacy, large exposures and leverage ratio (Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms).

For the calculation of capital adequacy, a specialized software application is configured and used in order to calculate risk-weighted assets according to the bank's approach on each portfolio, in accordance with the current "Basel III" framework.
Risk Management Unit submits regularly and consistently all the required reports to the National Bank of Romania.

4. CREDIT RISK

4.1 Definitions and general information

For accounting purposes, "past due" exposures are those amounts which are past due for at least 1 day, other than those "impaired" while "impaired" exposures are those exposures for which individual and collective provisions are computed and registered.

4.2 Provisions calculation

4.2.1 Credit risk provisions

As of 2014, credit risk provisions were calculated according to International Financial Reporting Standards ("IFRS") principles. The bank has elaborated its own policy regarding impairment of financial assets for the purposes of preparing BROM's individual and consolidated financial statements in accordance with IFRS.

The Policy applies to:

(a) All loans (including leasing receivables) that are subject to impairment assessment, in accordance with IAS 39.58. It applies to all loans that are carried at amortised cost, including loans that have been designated as hedge items in a fair value hedge of interest rate risk (see also IAS 39.IG.E.4.4). The Policy does not apply to loans that have been designated as at fair value through profit or loss because they are directly measured at fair value, which includes credit losses.

(b) Other receivables and prepayments

(c) Off-Balance sheet items (e.g. letters of credit, letters of guarantee and commitments to extend credit),

(d) Investments in debt and equity securities, classified as Available-for-Sale ("AFS"), Held-to-Maturity ("HTM"), or Loans and Receivables ("LAR").

In order to ensure the compliance with the regulatory framework were calculated as of 2014 also prudential provisions.
The prudential provisions were calculated in compliance with NBR Regulation no. 16/2012. For the computation of provisions, the loan portfolio is split into 5 categories of classification (Standard, Watch, Substandard, Doubtful and Loss) by applying simultaneously the following three criteria: debt service, financial performance of the client (from A to E), initiation of legal procedures.
If legal procedures have been initiated the loans are classified into Loss 2 category.
If no legal procedures have been initiated, the loans are classified according to the matrix below:

Financial performance / Debt service	A	B	C	D	E
0 –15 days	Standard	In observation	Substandard	Doubtful	Loss 1
16 – 30 days	In observation	Substandard	Doubtful	Loss 1	Loss 1
31 – 60 days	Substandard	Doubtful	Loss 1	Loss 1	Loss 1
61 – 90 days	Doubtful	Loss 1	Loss 1	Loss 1	Loss 1
minimum 91 days	Loss 2	Loss 2	Loss 2	Loss 2	Loss 2

In case no legal procedures have been initiated and in case all amounts of that loan register a debt service of maximum 90 days, the gross exposures are diminished by related collaterals considered as deductible.
In case legal procedures have been initiated or in case the client registers a debt service of more than 90 days (Loss 2 category), the eligible collaterals to be deducted are adjusted by applying a 0.25 coefficient. The collaterals related to the loan's interest are not taken into account the coefficient applied having zero value.

The net exposure resulted after the deduction of collaterals is provisioned with following percentages:

Loan classification category	Provisioning coefficient for loans (others than the loans denominated in foreign currency or indexed at the exchange rate of a foreign currency, granted to unhedged individuals*)	Provisioning coefficient for loans denominated in foreign currency or indexed at the exchange rate of a foreign currency, granted to unhedged individuals*)
Standard	0	0,07
In observation	0,05	0,08
Substandard	0,2	0,23
Doubtful	0,5	0,53
Loss 1 / Loss 2	1	1

* The term „unhedged individual" means individual which does not generate positive net inflows denominated in the same currency with the loan, which would allow the reimbursement in time of each instalment (principal and interest).

4.2.2 T-bills & Bonds

T-bills and the Bonds are classified depending on the initial intention in securities held for trading, securities available for sale (placements securities) and securities held until maturity. As per our current strategies, securities are held neither for trading and neither until maturity, being classified as available for sale securities. A fair value is calculated, using the traditional bond pricing (present value of future cash flows discounted using interest rates derived from firm/informative quotes from market makers).

The following tables present the analysis of the bank's exposures by asset classes, by geographical region, by economic sector and by remaining maturity:

Total gross exposures per asset classes before credit mitigation techniques

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	Average for 2014	31.12.2014
Asset Class		
Exposures to central governments or central banks*	1,930,067	1,913,029
Exposures to regional governments or local authorities	1,181	4,724
Exposures to public sector entities	1,722	1,386
Exposures to multilateral development banks	-	-
Exposures to international organizations	-	-
Exposures to institutions**, out of which:	100,346	123,652
- counterparty credit risk	57,906	79,463
Exposures to corporates	656,925	625,406
Retail exposures	1,897,574	1,922,769
Exposures secured by mortgages on immovable property	2,076,390	2,055,978
Exposures in default***	736,158	706,752
Exposures associated with particularly high risk	64,298	66,385
Exposures in the form of covered bonds	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-
Exposures in the form of units or shares in collective investment undertakings ('CIUs')	-	-
Equity exposures	-	-
Other items	370,650	360,923
Total Gross Exposure	**7,835,311**	**7,781,003**

* Includes T-bills and Bonds issued by the Romanian Government

** Are included exposures to banks (nostro accounts, placements with other banks and counterparty credit risk)

*** According to the default definition from Regulation (EU) No 575/2013 of The European Parliament And Of The Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012

Total net* assets by remaining maturity

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31.12.2014 – consolidated level	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Total assets	**1,055,362**	**260,704**	**403,643**	**1,965,083**	**3,217,294**	**6,902,086**

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31.12.2014 – standalone level	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Total assets	**1,061,163**	**256,362**	**392,310**	**1,936,887**	**3,126,915**	**6,773,637**

* Net assets are total gross assets from which are deducted provisions and amortizations

Total loan portfolio, impaired exposures and past due amounts by economic sector

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31.12.2014	Total loan portfolio*, out of which:	Total outstanding (principal only)	Impaired exposures**	Total Provisions	Past due amounts***
Total loan portfolio, out of which:	**5,212,147**	**4,831,638**	**826,514**	**519,516**	**627,854**
Individuals	4,141,162	4,003,580	546,287	339,820	412,057
Agriculture, Forestry And Fishing	46,865	37,421	14,201	2,825	2,669
Mining And Quarrying	0	0	0	0	-
Food, Beverages And Tobacco	61,045	54,921	23,387	17,940	21,618
Textile Industries	5,011	4,353	1,368	863	1,577
Wood And Paper Industries	13,066	11,279	4,496	3,306	4,508
Chemical Industries	75,208	61,175	27,678	17,926	5,447
Machinery And Equipment	72,808	67,492	10,529	7,886	10,535
Energy- Waste Management	191,049	175,134	6,521	4,891	1,661
Sale & Repair Of Motor Vehicles And Motorcycles	20,257	15,808	11,608	5,694	7,884
Wholesale Trade	168,822	135,893	55,033	37,670	42,843
Retail Trade	44,303	38,113	18,179	13,760	18,253
Transportation-Storage	21,964	19,104	11,635	7,217	13,018
Hotel And Restaurants	39,298	29,205	2,941	1,222	3,330
Information And Communication	10,974	1,384	1,743	1,080	1,681
Financial And Insurance Activities	5,882	5,956	0	0	0
Real Estate Activities	37,716	32,936	26,551	11,952	24,947
Business Activities	19,351	17,610	6,221	4,586	6,065
Public Administration And Defence -Education	10	10	0	0	-
Human Health	0	0	0	0	-
Arts, Entertainment And Recreation	1,975	818	1,327	621	590
Other Service Activities	729	734	1	0	-
Building And General Construction Activities	156,456	89,499	55,662	39,354	48,627

Public Infrastructure Works	50,439	3,182	1,145	899	544
Activities Of Households As Employers Undifferentiated Goods- And Services-Producing	10	-	-	-	-
Activities Of Extraterritorial Organizations And Bodies	1,795	0	0	0	-
Factoring	25,953	26,031	-	-	-
T-bills & Bonds	1,195,561	1,166,092	-	-	-
TOTAL	**6,407,708**	**5,997,730**	**826,514**	**519,516**	**627,854**

* Total loan portfolio contains on balance sheet exposure, undrawn committed facilities and contingent exposure

** Impaired exposures represent exposures for which individual or collective provisions are registered (covering partially/entirely the exposure)

*** Past due amounts represent amounts with at least 1 day of delay, but for which no provisions were registered. Past due exposures for which individual or collective provisions were constituted are included in the impaired exposures.

Geographical concentration of total loan portfolio, impaired exposures and past due amounts (excluding T-bills and Bonds)

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31.12.2014	**Total loan portfolio, out of which:**	**Total outstanding (principal only)**	**Impaired exposures**	**Past due amounts**
BUCHAREST	1,941,971	1,786,010	243,131	193,177
SOUTH-EAST	605,769	580,681	101,963	82,971
NORTH-WEST	526,779	508,882	58,382	52,015
CENTER	465,099	446,060	106,657	64,891
WEST	363,966	334,825	58,542	42,559
NORTH-EAST	457,163	433,113	87,183	62,663
SOUTH	565,921	470,916	122,290	90,496
SOUTH-WEST	277,764	264,952	47,668	38,413
- non residents	7,714	6,199	698	669
- N/A	0	0	0	0
TOTAL	**5,212,147**	**4,831,638**	**826,514**	**627,854**

Provision movement for credit risk (loan portfolio)

		RON k
Provision for impairment of loans and advances	**2014 (consolidated level)**	**2014 (standalone level)**
Provisions balance at the beginning of the period	**-478,811**	**-398,795**
Credit risk cost	-82,192	-70,829
Bad debts written off	92,302	87,214
Exchange differences	-2,336	-1,883
Collection cost	6,196	3,765
Recoveries	-727	-727
Unwind reclassification	-22,231	-22,231
NBG Leasing correction	-14,170	0
At the end of the year (after restatement of unwind)	**-501,969**	**-403,486**

4.3 Portfolio under the Standardized Approach

The following External Credit Rating Institutions ("ECAI") are used to risk weight exposures under the Standardized Approach:

- Standard & Poor's
- Moody's
- Fitch

The asset classes for which ECAI ratings are used are the following: Exposures to Central Governments and Central Banks and Exposures to Financial Institutions.

The table below presents the exposure amounts, before and after credit risk mitigation, as of 31.12.2014, allocated to the credit quality steps.

Exposures to Financial Institutions **RON k**

Credit quality step	**Exposure amount before Credit Risk mitigation**	**Exposure amount after Credit Risk mitigation**
1	7,918	7,918
2-3	6,385	6,385
4-5	5,965	5,965
6	35,204	35,204
Total	**55,472**	**55,472**

4.4 Credit risk mitigation techniques

In accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, Banca Romaneasca accepts the following instruments for mitigation of credit risk:

- Unfunded credit protection (guarantees) from: central administrations and central banks, regional administrations and local authorities, credit institutions;

- Funded credit protection: cash deposits, debt securities and material collaterals: residential and commercial real estate properties, other physical collaterals.

4.4.1 Revaluation of material collaterals

The estimation of the market value of the collaterals accepted by the bank is performed according to the stipulations of the "Guide for evaluation of collaterals on lending" issued by ANEVAR (Romanian National Valuators Association) and the provisions of International Financial Reporting Standards, in compliance with the requirements from NBR regulations (Regulation no. 16/2012 and Regulation no.5/2013 with its further amendments).

The estimation of the market value (equal to the fair value) of collaterals is performed periodically in order to:

- deduct the collaterals value from the exposure within the computation of necessary credit risk provisions;
- recognize the value of collaterals that can be taken into account as credit risk mitigation, when determining the risk weighted value of exposures, in order to compute the minimum capital requirements for credit risk.

The values of the collaterals have to be monitored frequently as follows:

a) in case of residential real estates the valuation has to be performed at least once at every three years and for the commercial real estates the valuation has to be performed once per year.

In case that the evolution of the prices on the real estate market, according to the data disclosed by National Statistical Institute, reflect a decrease over 20%, end of year N versus end of year N-1, the bank will perform a new valuation of the real estate collaterals that have the previous evaluation older than 12 months.

b) in case of tangible goods the valuation has to be performed at least once per year.

In addition, valuation of collaterals may be necessary during the validity of the loan in certain specific cases (when are analyzed operations of replacing existing exposures or when are analyzed new operations having joint collaterals with other existing loans), according to Bank's regulations. The valuation of collaterals is performed by external valuators or internal valuators of the bank, members of ANEVAR (Romanian National Valuators Association).

Total exposure covered by **cash collateral deposits** and **guarantees received from banks and local public administration** as of 31.12.2014

RON k

Exposure class	**Cash collateral deposits (Eligible financial collateral)**	**Guarantees received from banks / central government / local public administration (eligible guarantees)**
Corporate	15,967	8,959
Retail	98,928	432,649
Administrative organizations / PSE	518	-
Past due items	1,629	829
Regulatory high-risk categories	-	-
Total	**117,042**	**442,437**

The rest of the exposures are covered by other types of collaterals.

5. COUNTERPARTY CREDIT RISK

For the efficient management of counterparty risk, the Bank has established a framework of counterparty limits. The list with counterparties is maintained and updated by the Risk Management Unit. For the implementation of new limits to counterparties or the increase of the existing limits, the endorsement of the NBG Risk Management Division is required. The monitoring of the limits is performed by the Risk Management Unit which also reports in this respect to the management of the Bank and to NBG Risk Management Division.

Counterparty limits are set based on the credit rating of the financial institutions. The credit ratings are provided by well-known external ratings assessment institutions and more specifically by Moody's, Standard & Poor's and Fitch. The limits framework is revised according to the business needs of the bank and the prevailing conditions in the financial markets.

For capital requirements calculation purposes the Bank calculates the exposure amount for derivatives by applying the Mark-to-Market ("MTM") methodology (Regulation (EU) No 575/2013). The exposure value is represented by the sum of current replacement cost and the potential future credit exposure. As of 31.12.2014 the Bank's exposure at risk computed for OTC derivatives transactions subject to counterparty credit risk is in amount of RON 11,483,631. The above mentioned derivatives represent forward foreign exchange contracts.

Also for capital requirements calculation purposes the Bank calculates the exposure amount for secured funding/lending transactions (repos/reverse repos) by applying the Financial Collateral Simple Method. As of 31.12.2014 the Bank's exposure at risk computed for secured funding/lending transactions subject to counterparty credit risk is in amount of RON 67,979,277.

RON k

31.12.2014	Exposure value	RWA	Capital requirements
Forward FX contracts	11,484	14,027	1,122
Repo transactions	67,979	14,930	1,088

6. MARKET RISK

Banca Romaneasca does not have a Trading Book currently in place. Consequently, the Bank does not calculate capital charges against the market risk of the Trading Book. The only market risk related capital charges are the ones for the open currency position which are calculated according to Regulation (EU) No 575/2013. As of 31.12.2014 the market risk capital requirements for foreign exchange risk is RON 1,455,807.

The Bank uses the Value-at Risk methodology for monitoring the foreign exchange risk. The VaR estimates are used internally, as a risk management tool. The Bank's Risk Management Unit calculates on a daily basis the VaR of the Bank's Open Currency Position, using a 99% confidence interval and 1-day or 10-day holding periods. The calculation of the VaR relies on the assumption that the returns on individual risk factors (exchange rates) follow a normal distribution.

7. EQUITY EXPOSURES NOT INCLUDED IN THE TRADING BOOK

Investments in shares that are not included in the trading portfolio are included in the available for sale portfolio. The available for sale investments in shares are recognized at fair value, as follows:

Security	Issuer	Currency (thousand)	Acquisition Cost	Fair Value
Shares	SNCDDVM	RON	2	2
Shares	RI Monitor	RON	10	10
Shares	Transfond S.A.	RON	472	472
Shares	Biroul de Credit	RON	272	272
Shares	Master Card International	USD	10	10
Shares	SWIFT	EUR	21	21
Shares	NBG Leasing	RON	66,978	66,978

8. INTEREST RATE RISK IN THE BANKING BOOK

For monitoring and reporting the potential interest rate risk impact, Risk Management Unit has the responsibility of producing the Interest Rate Gap Report. The report estimates the interest rate risk for the entire balance sheet both from an earnings perspective (unrealized gain/loss in the event of a yield curve shift across time buckets for every meaningful currency in the balance sheet) and from a valuation perspective (Economic Value of Equity).
The Earnings at Risk Indicator for each time bucket is calculated by applying the shift in the yield curve for each time bucket.

For measuring the Earnings at Risk indicator under normal conditions the following upward / downward shift in the yield curve assumptions are used: RON – 100 bps, all other currencies – 50 bps. The Earnings at Risk Indicator is calculated for the up-to-1 year interval and for the entire balance sheet, excluding any Trading positions.

For measuring the Earnings at Risk indicator under stress conditions the following upward / downward shift in the yield curve assumptions are used: RON – 200 bps, all other currencies – 100 bps.

Please find below the computation as of 31.12.2014 for EaR indicator:

RON k

Adjusted Earnings at Risk	Normal conditions		Stress Conditions	
	Total Balance Sheet	**12 Months**	**Total Balance Sheet**	**12 Months**
	± 3,205	∓ 1,961	± 6,410	∓ 3,922

The change in the Economic Value of Equity is calculated based on the methodology provided by the National Bank of Romania in Regulation 5/2013. It assumes a parallel shift (up and down) of 200 bps in interest rates for all maturities.

As of 31.12.2014 the change in the Economic Value stands at +8.72% of the Bank's Own Funds assuming a downward move in interest rates and -8.72% of the Bank's Own Funds assuming an upward move in interest rates.

9. UNENCUMBERRED ASSETS

Please find below the value of BROM's unencumbered assets as of 31.12.2014 considered based on European Banking Authority reporting standards. The amounts are expressed in RON.

Please note that with respect to assets encumbrance, during 2014 the main sources of encumbrance were represented by secured funding transactions and collateral agreements.

	Total Unencumbered Assets	**of which: central bank eligible**
Assets of the reporting institution	6,591,239,499	1,040,271,907
Loans on demand	766,504,928	36,190,460
Equity instruments	873,055	
Debt securities	1,014,060,353	1,004,081,447
of which: covered bonds		
of which: asset-backed securities		
of which: issued by general governments	1,004,081,447	1,004,081,447
of which: issued by financial corporations		
of which: issued by non-financial corporations	9,978,906	
Loans and advances other than loans on demand	4,500,653,854	
of which: mortgage loans	3,674,278,625	
Other assets	309,147,309	