EximBank

ROMANIA GROWS WITH US!

2018 ANNUAL REPORT

ROMANIA
GROWS WITH US!

PRESIDENT'S MESSAGE

Every year, EximBank has evolved to become an increasingly better version of itself. Is has adapted, has improved, has learned, has changed style, mentalities and perceptions.

2018 was a new stage in EximBank's development, marking the sixth consecutive year of growth: we managed to increase sales, the total exposure doubled compared to 2012, we accelerated the sale of complementary products; overall, we strengthened our position on the banking market by increasing our market share.

At year end, the Bank managed total exposures in the amount of RON 7.9 billion, up by 30% compared to 2017 year end. In the period 2012-2018, on the background of an ambitious business strategy, the total managed exposures had an annual growth rate of 14% and a stronger dynamic curve over the past two years.

The efforts we have made to convince the business environment that we are able to propose complex and attractive financial solutions for all types of companies have materialized in doubling the number of clients compared to 2012. Our portfolio includes new partners in various fields, the Bank succeeding in concluding agreements with both companies in the Romanian business elite and small and medium-sized companies. Of the increase in the number of clients, 68% are small clients, confirming EximBank's orientation of resources to support companies with growth needs and growth potential, in line with its assumed mission.

2018 also marked a peak in terms of representation capacity by continuing the process of expanding the commercial network. We have focused on the balanced development of the territorial network, the process started in 2013 leading to twice as many units: EximBank currently has 25 representation points, compared to 12 at the end of 2012. We thus manage to cover the most important economic centers in the country, facilitating the access of the business environment to our financial products.

During the past year, EximBank, as an export credit agency, strengthened its trust and expertise capital that allows it to finance the Romanian exporters' projects by constantly participating in the work of the Council of the EU Working Group on Export Credits and through involvement in the project to set up the Investment Fund of the Three Seas Initiative - which aims to increase the level of investment, connectivity and cooperation in the region. The Bank also contributed substantially to the official preparations made in order for Romania to take over the EU presidency in the first half of 2019.

Last but not least, this past year we have continued to pay particular attention to the consolidation of the employer brand so that the entire EximBank team can identify itself with organizational values and consider EximBank as the most preferred workplace.

As far as the 2019 objectives are concerned, they are pursuing business consolidation, following a natural pace after previous aggressive expansion and we are confident that its development so far will give us all the premises to conclude a new year of growth.

ROMANIA GROWS WITH US!

Traian Halalai,

Executive President EximBank

EXECUTIVE BOARD

TRAIAN HALALAI

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

FLORIN KUBINSCHI

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

PAUL ICHIM

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

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I. GENERAL OVERVIEW OF THE BANK AND THE GROUP

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

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

I.1. EXPORT-IMPORT BANK OF ROMANIA - EXIMBANK S.A.

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

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

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

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

I.2. EXIM ROMANIA INSURANCE - REINSURANCE COMPANY SA

Exim Romania S.A. Insurance - Reinsurance Company (EximAsig) was established in 2009 as a specialized entity providing insurance against financial risks both for export operations and domestic operations. The Company became operational in August 2010 and was authorized to provide insurance against risks related to loans and guarantees. The Company has extended its activity by obtaining authorization to practice 6 new insurance classes, namely: fire and natural calamities insurance, insurances for property damage, civil liability insurance, accident insurance, insurance of goods in transit and financial loss insurance.

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

The main shareholder of EximAsig is EximBank S.A., with a participation of 97.05% of the share capital as at 31.12.2018 (31.12.2017: 97.05%) being in the process of increasing the share capital by converting the subordinated loan granted in the amount of RON 20 million. After the subordinated loan conversion, EximBank S.A.'s participation will be 98.57%, the remaining portion being held by private individuals as minority shareholders.

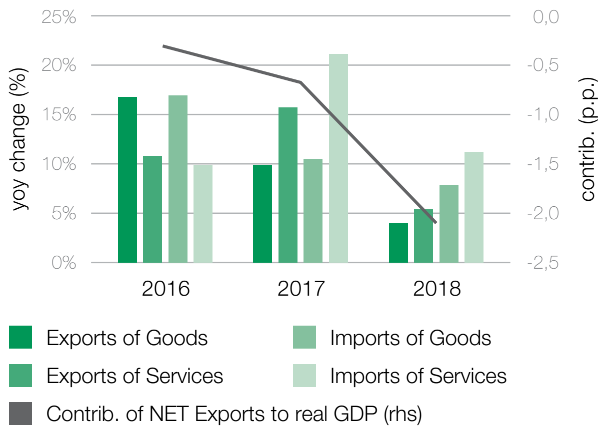
II. THE ROMANIAN MACROECONOMIC CONTEXT IN 2018

Romania's economy continued to grow at a fast pace in 2018, posting an annual real growth rate of 4.1 %, compared with the previous year's record growth rate of 7.0 %. As in the previous years, *private consumption* has been the main driver of economic growth, with a contribution of 3.4 p.p. to the real GDP dynamics, almost halved compared to the previous year, when it was 6.2 p.p. On the one hand, exceptional agricultural production has boosted self-consumption of agri-food products and peasant market acquisitions; on the other hand, there was a decline in purchases from commercial networks, mainly in the motor vehicle and fuel segment, amid the significant decline in the consumer confidence indicator.

2018 also marked a contraction of *investments* in domestic economy, the gross fixed capital formation decreasing by 2.6% compared to 2017, which led to a negative contribution to the real GDP growth of 0.6 p.p. (2017: positive contribution of 0.8 p.p). In the structure, the only component that recorded positive dynamics during 2018 was the acquisition of capital goods (machinery and equipment), while construction works - both residential and non-residential - showed a decline.

Exports of goods and services recorded a slower annual dynamics, increasing by 4.3% compared to the previous year, when they increased by 10.7% compared to 2016. Romania's exports were mainly supported by the segments of specialized motor vehicles and electrical equipment. In terms of *imports*, there is a minor slow down of the annual growth rate: + 8.5% in 2018 (2017: + 12.1%), only partially offset by the positive balance of services, which was translated into a increasing negative contribution of net exports to real GDP dynamics by -2.1 p.p. versus -0.7 p.p. in 2017.

DYNAMICS OF ROMANIA'S IMPORTS AND EXPORTS 2016 - 2018

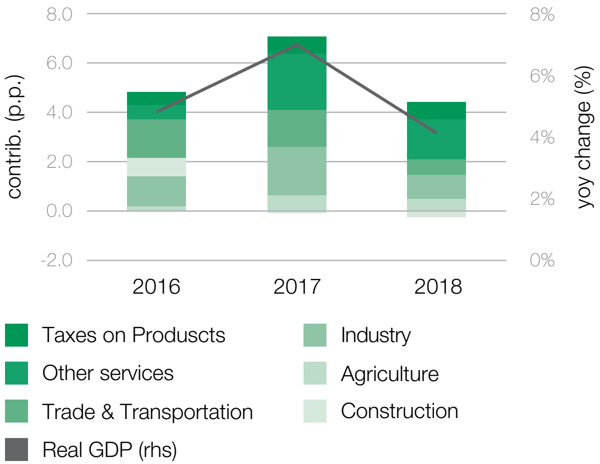


Source: NBR, Eurostat, EximBank calculations

2018 recorded an increase in the current account deficit of the balance of payments to approx. 4.7% of GDP (versus 3.2% in 2017), which is due exclusively to the current account goods and services component. This deficit was mainly covered by capital inflows that do not generate external debt, namely capital inflows in the form of foreign direct investment and structural and investment European funds, which are nonrefundable. Net foreign direct investment recorded levels similar to those reported in 2017 (around EUR 4.7 billion), while reinvested profit increased from EUR 1.8 billion to EUR 2.1 billion (approx. 44% of total foreign direct investment), indicating that the Romanian economy enjoys an adequate level of investor confidence. At the same time, net inflows of portfolio investment dropped by one third, from approximately EUR 3 billion in 2017 to EUR 2.1 billion in 2018.

From a sectorial perspective, the *services* sector contributed the most to real GDP dynamics (+1.6 p.p., down from +2.3 p.p. in 2017), while slowing domestic absorption over the previous year caused a substantial reduction of contributions made by the *industrial* sector (+1.0 p.p., half of the contribution of +2.0 p.p. recorded in 2017) and of *commercial* and *transportation* sectors (+0.6 p.p. compared to +1.5 p.p. in the previous year). In the context of a relatively low level of investments, the construction sector accelerated its negative contribution to real GDP growth (-0.3 p.p. vs. -0.1 p.p. in 2017), while the very good performance in *agriculture* (the added value achieved was 8.4% higher than in 2017) resulted in a contribution of +0.5 p.p. to economic growth (2017: +0.6 p.p.).

SECTORAL CONTRIBUTIONS TO REAL GDP DYNAMICS 2016 - 2018



Source: NBR, Eurostat, EximBank calculations

Annual inflation rates (as measured by CPI) remained consistent outside the NBR's target range of 2.5% +/- 1 p.p., reaching maximum values of 5.41% and 5.40% in May and June respectively - mainly driven by exogenous factors such as oil quotations on international markets and energy commodity prices on the local market - while the value for December was 3.27%.

The RON/EUR *FX rate* has exhibited a relatively stable evolution in 2018 and the volatility of the national currency has generally remained below that of the countries in the region.

During 2018, *money market yields* witnessed a general upward trend as a result of the strengthening of monetary policy, since the NBR operated in the period from January to May three rises in the reference rate which increased from 1.75% to 2.50% p.a. If the first quarter of the year was characterized by a surplus of liquidity that determined the NBR to initiate, for the first time in the last 7 years, operations to attract term deposits, starting from August, the NBR provided liquidity to credit institutions through 1-week repo operations, with fixed interest rate. In December, substantial liquidity injections made by the State Treasury generated a new liquidity surplus in the market drained by the NBR through the deposit facility, a context in which overnight returns came close to the monetary policy rate.

The *yields on securities* issued by the Romanian Government have shown a generalized increasing trend across all maturity bands in the context of more restrictive monetary policy conduct and the strengthening of central bank control over liquidity. The increase in yields was more pronounced for short maturities, reflecting a tendency to flatten the yield curve. The evolution of yields on Romanian government securities was influenced, especially in the latter part of 2018, by the trends observed in the international financial markets, where there were decreases in long-term government bond yields in the Eurozone and the US as a result of expectations of economic slowdown.

Bank lending to the sector accelerated in 2018, rising by an annual rate of 7.9%, compared with an annual dynamics of 5.6% in 2017, supported by both the segment of non-financial companies (nominal growth of 6.3%), and especially the population, which recorded a 9.2% increase in the outstanding balance compared to the end of 2017. The credit advance was given against the RON component, the share of non-government credit granted in the national currency in the total reaching a new peak post-1996, namely 66%. As for the new loans granted by the commercial banks, the amount was of approx. RON 35.6 billion for individuals and approx. RON 30.6 billion for companies, the national currency component accounting for 99.4% and 88.3% respectively of the total of new loans granted to the two categories of clients. This dynamics was supported by the advance of economic activity, the relatively low financing costs against historical values and the reduction of credit risk for individuals and companies.

+7,9%
BANK LENDING DYNAMICS

III. COMMERCIAL ACTIVITY IN 2018: OBJECTIVES AND ACHIEVEMENTS

III.1. EXIMBANK'S ACTIVITY IN 2018

The Bank's strategy in 2018 continued to align the organic growth target with the specific objectives set by its own Statute and Government Policy, while taking into account the requirements and constraints of the market in the current context.

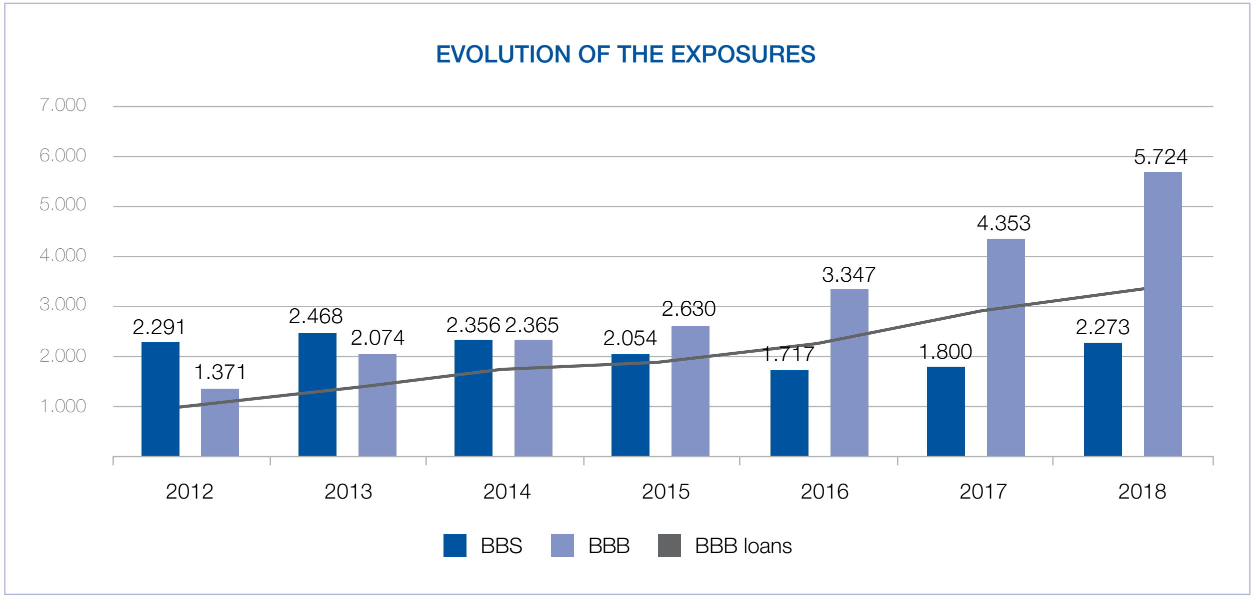
Through integrated and flexible financial solutions, the Bank's efforts have focused on identifying and supporting as many business projects impacting the local community and the economy in general, developping the customer base, supporting SMEs, increasing the number and volume of the products offered,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

III.1.1. STRUCTURE ANALYSIS

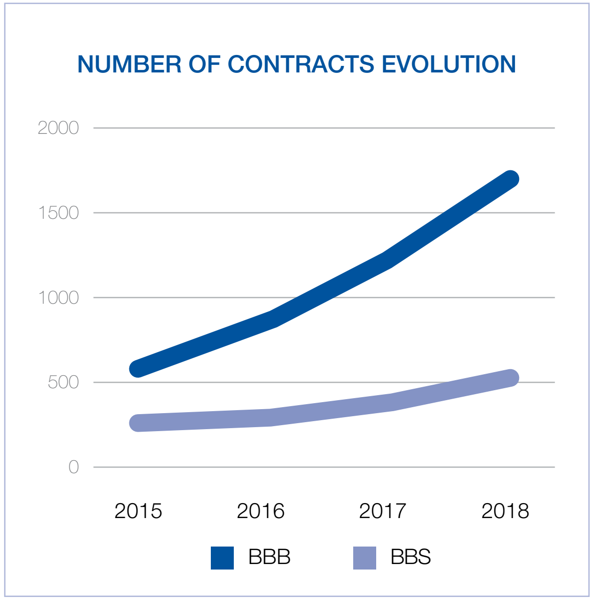
At the end of 2018, the Bank managed total exposures amounting to RON 7,997 million, increasing by RON 1.8 billion (+ 30%) compared to the end of 2017 and by 18% over the budgeted target, structured as follows:

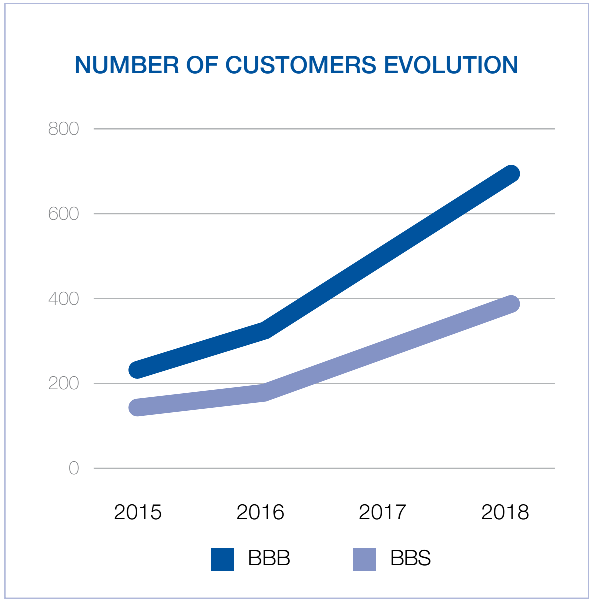
EXPOSURE UNDER MANAGEMENT	2018		2017		VARIATION	
	RON M	% IN TOTAL	RON M	% IN TOTAL	RON M	%
ON BEHALF OF AND TO THE BENEFIT OF THE BANK	**5,724**	**72%**	**4,353**	**71%**	**+1,371**	**+31%**
Financing, of which:	4,623	58%	3,641	59%	+981	+27%
Balance of drawn loans	3,421		2,939		+482	+16%
Guarantees and multiproduct	1,081	14%	704	11%	+377	+52%
Letters of Credit	20	0%	8	0%	+12	+124%
ON BEHALF OF AND TO THE BENEFIT OF THE STATE	**2,273**	**28%**	**1,800**	**29%**	**+473**	**+26%**
Financing	70	1%	69	1%	+2	+3%
Guarantees	1,809	23%	1,608	26%	+201	+12%
Insurance	394	5%	123	2%	+271	+219%
TOTAL	**7,997**	**100%**	**6,153**	**100%**	**+1,843**	**+30%**

In the period 2012-2018, in the context of the ambitious growth strategy of lending activity, the total managed exposures recorded an average annual growth rate of 14%, with a stronger dynamics over the past two years, as shown in the chart below:



Off balance sheet number of clients and the number of contracts concluded had a higher growth rate than the volume of commitments, highlighting the Bank's focus on covering a wider range of clients and projects, in line with its credit risk spreading policies and increasing the support offered to small, developing customers.





Increasing the number of lending customers was an important target of 2018 year, achieved due to a significant increase in both types of activities. Of the increase by 193 in customer number, 68% are small customers, indicating EximBank's resource orientation to support companies with growth needs and potential, according to the assumed mission.

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

According to the business strategy, the products of the Bank's total portfolio were mainly oriented to the following areas of the economy: manufacturing industry (31%), extractive industry (13%), trade industry (11%), constructions (10%), professional, scientific and technical activities (7%).

In 2018 sales exceeded both the previous year's volumes and the proposed targets. More accelerated growth was achieved by BBS sales, 49% higher than the previous year and 70% above the established plan, with a significant increase in insurance products. A positive dynamics was also provided by the newly granted BBB products, which exceeded the values of the previous year by 13% and the established targets by 42%.

With regard to the Bank's strategic priority to support exports, it materialized in 2018 into RON 1.27 billion products granted to exporters, namely 45% of the total value of sales for the year, up by 41% compared to the previous year.

Out of the total amount of RON 2,864 million of the products granted during 2018, the Bank financed and guaranteed projects of companies with good financial results, actively involved in important sectors of the economy of Romania, with potential for growth. Thus, 27% of the new commitments were invested in the extractive industry, 23% in manufacturing, 11% in trade, 8% in constructions (less real estate transactions, which the bank excluded from financing), 8% in transportation and storage, 6% in agriculture.

SME support reflected in 2018 in the number of products granted to this segment of companies, financing and guaranteeing SMEs representing 84% of new contracts.

SALES VOLUMES	2018		2017		VARIATION	
	RONm	% IN TOTAL	RONm	% IN TOTAL	RONm	%
ON BEHALF OF AND TO THE BENEFIT OF THE BANK	**2,065**	**72%**	**1,833**	**77%**	**+231**	**+13%**
Financing	1,452	51%	1,153	49%	+299	+26%
Trade Finance and multiproduct	613	21%	681	29%	-68	-10%
ON BEHALF OF AND TO THE BENEFIT OF THE STATE	**800**	**28%**	**538**	**23%**	**+262**	**+49%**
Financing	-	0%	-	0%		
Guarantees	507	18%	435	18%	+72	+17%
Insurance	292	10%	103	4%	+190	+185%
TOTAL	**2,864**	**100%**	**2,371**	**100%**	**+493**	**+21%**

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

In the period 2012-2018, exposures on Behalf of and to the Benefit of the Bank (BBB) had an average annual growth rate of 27%, reaching a 4.2-fold higher level than at the beginning of the interval.

Exposures on Behalf of and to the Benefit of the Bank at the end of 2018 consist of loans, letters of credit, incasso, guarantees and multi-product limits amounting to RON 5,724 million, up from the end of 2017 by 31% as value and 41% as number of commitments assumed.

BBB EXPOSURES	2018		2017		VARIATION	
	RONm	% in total	RONm	% in total	RONm	%
FINANCING	**4,623**	**81%**	**3,641**	**84%**	**+981**	**+27%**
No. contracts	1,236	74%	878	73%	358	+41%
GUARANTEE AND MULTI-PRODUCT	**1,081**	**19%**	**704**	**16%**	**377**	**+54%**
No. contracts	440	26%	312	25%	128	+41%
LETTERS OF CREDIT	**20**	**0.3%**	**8**	**0%**	**12**	**+1%**
No. contracts	10	0%	10	1%	0	0%
TOTAL	**5,724**	**100%**	**4,353**	**100%**	**+1,371**	**+31%**
No. contracts	1,686	100%	1200	100%	+486	+41%

I. FINANCING

During 2018, the BBB financing activity was focused on both the promotion of short-term financing facilities to secure working capital for target customer groups and the promotion of medium- and long-term financing facilities for investment projects, including those supported by structural funds.

The total financing BBB exposures at the end of 2018 is up by 27% compared with the previous year and 12% above the budgeted level. The Bank's market share in corporate lending increases from 2.45% as at 31.12.2017 to 2.69% as at 31.12.2018, above the level set by the business strategy (2.50%).

The faster acceleration of the number of contracts (+ 41%) compared to the number of lending exposures (+ 27%) twas generated by the modification of the credit structure in favor of small and medium-sized companies and implicitly by lowering the degree of risk concentration on the client.

In 2018 EximBank has kept the growth trend shown in the past four years in the factoring segment, managing to convince an increasing number of companies that it has the ability to generate flexible and advantageous financial solutions that respond to concerns related to cash-flow optimization and financing, claims management and collection.

At year end, the Bank's sales of factoring operations was in the amount of EUR 178.5 million, compared to EUR 162 million in 2017.

Export factoring operations had the largest share - EUR 173.9 million, insurance of the default risk in international commercial transactions being the main factor determining the exporting companies to use this financial solution.

Portfolio quality analysis highlights a non-performing exposure rate, calculated according to the *European Banking Authority (EBA)* definition, of 6.2% as at 31.12.2018, down by 8% compared to 2017. Considering only exposures to non-financial corporations, the rate has the same trend, decreasing from 12.6% as at 31.12.2017 to 11.8% as at 31.12.2018. On the other hand, the *provisioning coverage of non-performing* exposures to non-financial corporations decreased from 31% to 20% as a result of the increase in recovery estimates for these exposures (both due to the increase in recovery estimates following improvement of customers' activities as well as due to the increase in the recovery rate from the sale of collateral – based on historical information). Given that the banking system average is 57% as at 30.09.2018 (the most recent available date), it should be emphasized that a large part of EximBank's non-performing exposures are covered by liquid guarantees (guarantees received from the state, collateral deposits, collateral from guarantee funds), as evidenced by the *coverage ratio of non-performing exposures related to non-financial companies with provisions and liquid collateral,* which is 58% as at 31.12.2018.

II. TRADE FINANCE AND MULTIPRODUCT

The total volume of *trade finance* products and multiproducts committed on Behalf of and to the Benefit of the Bank reached RON 1,101 million at the end of 2018, up 55% compared to the end of 2017. Of these, RON 629.6 million represent letters of guarantee issued to non-bank clients, RON 55.1 million - letters of guarantee issued to bank clients, RON 396.8 million represent unused guarantee/multi-product limits and and RON 20 million are import letters of credit.

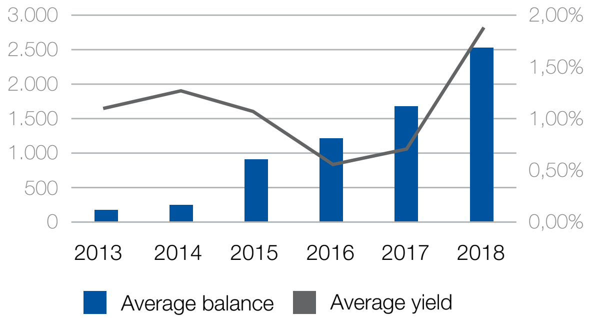
Trade finance products and multiproducts approved during the year were in the amount of RON 613 million, almost 8 times higher than in 2012, most of them being ceilings for guarantee products or other trade finance products for customers.

III. TREASURY AND CAPITAL MARKETS

In order to achieve the objective of increasing the share of income from transactions with derivatives, options on the exchange rate and interest rate swaps, the Bank has constantly pursued to identify the existing clients' treasury potential and to attract them through various quantitative and qualitative offers superior to other banks; financial institutions and public companies were also targeted; new customer accounts were opened for both large companies and non-bank financial institutions; the range of products for non-bank customers has been tailored to its needs by integrating the cash offer into a mix of products, together with the Bank's cash management and finance/guarantee/insurance products.

The additional financial resources needed to increase assets in the reporting year were generated from the *non-bank customer* deposits their growth in 2018 being steeper than in recent years. Financing costs have also jumped in the past year, following the benchmark curve:

EVOLUTION OF CUSTOMER DEPOSITS



410 MIL. EURO

THE VALUE OF THE FX SWAP TRASACTIONS

Customer deposits represent the main source of funding for the Bank's placements in 2018, at a lower cost than the state funds managed to support the national economy, as shown by the *structure of interest-bearing liabilities* below:

FINANCIAL RESOURCES	AVERAGE BALANCE (mRON)	AVERAGE FINANCING COST
Interbank	427	0.65%
Non-bank customers	2,541	1.87%
State Funds	1,680	2.18%
TOTAL	**4,648**	**1.91%**

Transactions in the *government securities market* during the year were materialized in transactions with securities measured through other comprehensive income or measured at amortized cost (banking book) and with securities held for trading *(trading book)*. Total portfolio grew by RON 26 million, from RON 2,227 million at the end of 2017 to RON 2,253 million at the end of 2018.

The volume of transactions on the *interbank foreign exchange* spot market in 2018 was EUR 1.576 billion, (6.48% of the total volume traded on the interbank market), EximBank continuing to be an active counterpart on this market. The value of the FX swap transactions was of EUR 410 million.

Foreign exchange spot transactions with non-bank customers had a volume of EUR 674 million and derivatives transactions (forward) maintained the upward trend.

IV. CASH MANAGEMENT

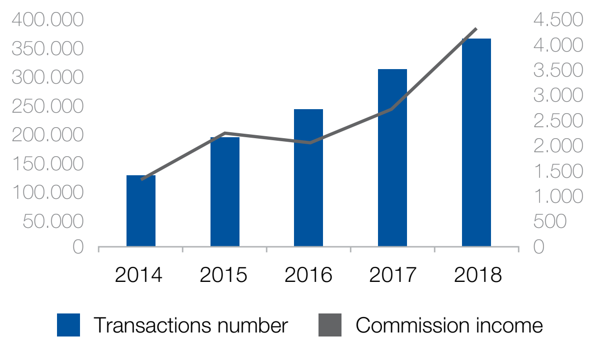
In 2018, cash management continued the upward trend shown in recent years, following the strategic line of increasing the contribution to the bank's profit as a complementary activity to financing.

Consultancy and support activity for the sales force and customers has focused on delivering personalized solutions to their needs. In this respect, new products have been developed in the form of transaction packages specific to small customers.

The increase in the number of deposits, on the one hand, and an attractive cash management policy added to the consolidation of *first-line customer support* and *internet banking*, on the other hand, resulted in an increase in volumes and number of customer operations. Implicitly, net revenues from this activity increased (+ 52%), following the strategic line of increasing the contribution to the bank's profit, as a complementary activity to the financing.

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

EVOLUTION OF THE NUMBER OF CASH MANAGEMENT TRANSACTIONS AND RELATED COMMISSIONS



V. OTHER PRODUCTS

The commercial and credit information activity continued on the two main coordinates, the elaboration and delivery of commercial information reports, both in order to support the Romanian business environment and to support the activity of other structures in the Bank. In 2018, EximBank analysts prepared a number of 610 reports, of which 425 about Romanian companies and 185 about foreign companies. At the request of the domestic structures, 38 reports were provided on foreign companies.

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

In order to meet the specific objective of supporting Romania's economy and in accordance with the provisions of Law 96/2000, EximBank acts as a representative of the Romanian State. In this capacity, during 2018, the Bank was actively involved in the activity of various working groups and partnerships initiated together with the Romanian authorities at the level of the Ministry of Foreign Affairs, the Ministry for the Business Environment, Commerce and Entrepreneurship, the Ministry of Agriculture and Rural Development to encourage Romanian exporters from different economic sectors, thus establishing concrete action coordinates, on the short and medium term.

Moreover, as an *export credit agency,* EximBank contributed substantially to the official preparations made in order for Romania to take over the EU presidency in the first half of 2019.

1) Participation in the national preparations for taking over the rotating presidency of the working groups and working formats of the Council of the European Union and in the *Training program of the civil servants in the central public administration in order to exercise the Romanian Presidency of the Council of the European Union in 2019.*

In cooperation with the Ministry of Public Finance, EximBank has undertaken to include in the *Calendar of meetings held in Romania during the exercise of the mandate of the EU Council Presidency* three relevant events to the reference field of this Working Group so that in the visibility occasioned by the Romanian Presidency, EximBank has the opportunity to expose its ability to provide good technical expertise on export support instruments in the name and on behalf of the Romanian state, as well as the ability to mediate the interests of institutions such as *ECA - Export Credit Agency* of the Member States in the inter-institutional negotiations and in dialogue with the representatives of the European forums.

Through constant participation in the activity of the *Working Group on Export Credits* of the Council of the European Union, EximBank aims for the topics of interest for the Member States to be presented to the Romanian authorities, thus contributing to strengthening Romania's capacity to support the European agenda in exercising the presidency of the Council of the European Union in the first semester of 2019.

2) Involvement together with the Romanian authorities in their effort to support Romania's adherence to the Organization for Economic Cooperation and Development (OECD).

In order to be in line with international export credit requirements, EximBank participated in OECD meetings in the area of export credits and export guarantees, both based on the ad-hoc invitation received from the OECD Working Group on Export Credits and Guarantees (ECG) and as part of the European Union delegation.

Together with the developments of OECD recommendations and principles, efforts to update the internal regulatory framework for export support instruments continued in the name and on behalf of the state. From this perspective, in the internal procedures requirements have been implemented for combating corruption in the field of export credit and assessment of the impact on the social environment and physical environment in the country of export destination. The necessary steps have been taken to transpose OECD principles for sustainable support of export in developing countries.

EximBank participated in the activity of the International Working Group on Export Credits - a body set up in the context of the Joint Fact Sheet on Strengthening U.S.- China Economic Relations, with the aim of identifying a set of international guidelines in the field of officially supporting export credits.

3) The project to set up the *Investment Fund of the Three Seas Initiative.*

In 2017, Romania became politically affiliated to the Three Seas Initiative, a platform for regional cooperation between the EU Member States located between the Adriatic Sea, the Baltic Sea and the Black Sea. It aims to increase the level of investment, connectivity and cooperation in the region in areas such as energy, transport, telecommunications, environmental protection, digitization. By participating in this project aimed at regional development, EximBank contributes to the achievement of Romania's national objectives and their integration into the objectives of the European Union, while at the same time to the capitalization on the potential offered by the sustainable cooperation relations with the development banks of the other EU Member States and counterparties from around the world.

In order to effectively be involved in the Romanian economy, in its capacity as a state agent, EximBank has access to the following funds - in the form of deposits from the Ministry of Public Finance - remunerated under market conditions:

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

The temporary available amounts from the aforementioned funds are fructified through commitments made by EximBank - S.A. in the name and on behalf of the State (BBS), namely specific guarantee, financing, insurance products and services approved by the Inter-ministerial Committee for Financing, Guarantees and Insurance. These are not controlled by the Bank and do not meet the recognition conditions set by the applicable International Financial Reporting Standards and the IASB General Framework and are therefore not disclosed in the Bank's financial position.

BBS commitments amounted to RON 2,273 million at the end of 2018 and represent 28% of the total commitments of the Bank, slightly decreasing as a share in the total portfolio of products despite the increase in volume compared with 2017.

BBS EXPOSURES	2018		2017		VARIATION	
	RONm	% IN TOTAL	RONm	% IN TOTAL	RONm	%
FINANCING	**70**	**3%**	**69**	**4%**	**+2**	**+3%**
No. contracts	7	1%	5	1%	2	40%
GUARANTEES	**1,809**	**80%**	**1,608**	**89%**	**201**	**12%**
No. contracts	481	96%	349	95%	132	38%
INSURANCE	**394**	**17%**	**123**	**7%**	**271**	**219%**
No. contracts	13	3%	14	4%	-1	-7%
TOTAL	**2,273**	**100%**	**1,800**	**100%**	**+473**	**+26%**
No. contracts	501	100%	368	100%	133	36%

If the value of the BBS commitments undertaken by the Bank recorded an increase of 26% compared to the previous year, the number of contracts increased by 36%, allowing more entrepreneurs access to the facilities offered.

In line with EximBank's mission and the BBS business strategy objectives, 55% of BBS products are granted to exporters; on the branches of the national economy, the highest share is occupied by priority fields such as: *extractive industry* (27%), *manufacturing industry* (23%), *production and distribution of energy* (17%) *constructions* (12%); by type of customer, SMEs benefit from 80% of the number of these products.

I. BBS GUARANTEES

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

- *EximBank guarantee facilitates* the obtaining of working capital and investment loans from commercial banks for all target groups, amounting to a maximum of EUR 50 million.
- *EximBank counter-guarantee* complements the Romanian companies' collateral requirements by up to 80%, so that commercial banks can issue the necessary bank guarantees for companies without blocking their liquidity.
- *SME guarantee limit* facilitates SMEs' access to credit in the maximum amount of RON 1.5 million in a simplified procedure implemented in partnership with commercial banks.

The average exposure is RON 5.9 million in 2017 versus RON 9.1 million in 2016, a decrease explained by the sharp increase in the number of SME clients, mainly by using the Guarantee SME Scheme provided to banks to support the financing of the eligible SME segment.

II. BBS FINANCING

The loans portfolio on Behalf and to the Benefit of State at the end of 2018 totals RON 62 million, the majority of the beneficiaries of these products being represented by SMEs (99.8%). Within the structure of the national economy, the extractive industry (98%) is preponderant.

In 2018, no new BBS financing was granted in the conditions of maintaining a high degree of liquidity on the banking market throughout the year, which allows potential customers to obtain loans on advantageous terms from commercial banks.

III. BBS INSURANCE

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

EximBank takes over the risk of non-collection of exporters' claims in countries outside the European Union and developed countries members of OECD, countries known to be non-market (typically CIS countries, Middle East, Africa, Asia). At the end of 2018 the insurance exposure amounted to RON 394 million. Of these, 67% were for construction and 13% for energy production and distribution.

Using the complementarity of its range of financing, guarantee and insurance instruments, in 2018 EximBank has structured one of the largest and most complex Romanian export support facilities in the last period that has allowed the development of a large Romanian export project in Greece, in the amount of USD 88.2 million.

The financial instruments granted by EximBank in partnership with Romanian banks, the European Bank for Reconstruction and Development and the Black Sea Trade and Development Bank demonstrate once again the bank's capacity to contribute in an innovative manner to the catalyzing of public and private financial resources in order to facilitate the realization of some complex projects on foreign markets, in accordance with European and international standards and practices.

III.2. ACTIVITY OF EXIMASIG IN 2018

EximAsig Romania continues the process of optimizing the quality of the business model, being concerned also about the overall operational framework and resources efficiency and about the quantitative and qualitative improvement of the customer and product portfolio, leading to a consistent boost in business under prudent risk conditions.

In 2018, the total number of new insurance contracts was 2,263 in the context of maintaining a medium level of risk tolerance. Gross premiums written during the reference period amounted to RON 10.97 million (2017: RON 12.83 million), the insured amount being RON 4.067 billion, of which related to new contracts: RON 2.64 billion (2016: RON 2.39 billion).

As of 31.12.2018, the premiums ceded in reinsurance amounted to RON 3.485 million (2017: RON 7.89 million), representing 31.75% (2016: 61%) of the value of the gross premiums written in Romania.

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

Thus, the majority shareholder pursued and coordinated:

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

IV. CONSOLIDATED AND SEPARATE FINANCIALS

The separate and consolidated financial statements of EximBank S.A. for 2018 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and are based on the accounting records of the Bank and its subsidiary EximAsig.

IV.1. CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

As of 31 December 2018, consolidated balance sheet assets amounted to RON 7,293.4 million, up 23% from RON 5,638.5 million as at 31.12.2017, similar to the increase at the Bank level.

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

ASSETS (RONm)	2018		2017	
	GROUP	BANK	GROUP	BANK
Cash and accounts with the NBR	743.1	743.1	207.1	207.1
Due from banks	792.2	767.9	203.6	177.0
Trading financial instruments	68.6	68.6	73.9	73.9
Available for sale financial instruments	1,667.3	1,667.3	2,153.5	2,153.5
Held to maturity financial instruments	557.0	517.3	40.5	0.0
Loans to customers, net	3,321.5	3,321.5	2,823.7	2,823.7
Investment in subsidiaries, of which:	0.0	34.0	0.0	44.1
LOAN CONVERTIBLE INTO SHARES		**0.6**		**20.1**
Fixed assets, investment property	57.8	57.1	57.7	57.5
Defferred tax	4.0	4.0	3.2	3.2
Other assets	82.0	20.2	75.3	14.6
TOTAL ASSETS	**7,293.4**	**7,200.9**	**5,638.5**	**5,554.6**

The positive evolution of the Group's assets (+1,654.9 RON million) in 2018 is mainly due to the increase in the volume of EximBank loans (+497.8 RON million), variation of the *deposits with the National Bank of Romania* (+535.9 RON million) and *deposits with credit institutions* (+588.6 RON million), on the background of increased liquidity. The gross value of the Bank's loan portfolio (3,421.1 RON million), up by 482.2 RON million (16%) compared to the previous year, consists mostly of loans denominated in local currency (71%).

At the end of 2018, EximBank's consolidated and separate ***equity and liabilities,*** compared to the end of the previous year, are presented in the table below:

LIABILITIES AND SHAREHOLDERS' EQUITY (RONm)	2018		2017	
	GROUP	BANK	GROUP	BANK
Due to banks	435.8	435.8	517.5	517.5
Deposits from Ministry of Public Finance	1,727.0	1,727.0	1,647.8	1,647.8
Due to customers	3,815.3	3,815.4	2,304.4	2,305.0
Other liabilities	192.8	100.8	146.0	54.5
TOTAL LIABILITIES	**6,170.9**	**6,079.0**	**4,615.7**	**4,524.9**
Share capital	1,701.5	1,701.5	1,701.5	1,701.5
Retained earnings, not distributed	75.4	75.6	6.4	14.0
Retained earnings, application of IAS 29	-900.7	-900.7	-900.7	-900.7
Reserves	245.8	245.6	215.1	215.0
TOTAL EQUITY ATTRIBUTABLE TO:	**1,122.0**	**1,122.0**	**1,022.3**	**1,029.7**
Non – controlling interests	0.5	0.0	0.5	0.0
Non – controlling interests	1,122.5	1,122.0	1,022.8	1,029.7
TOTAL LIABILITIES AND EQUITY	**7,293.4**	**7,200.9**	**5,638.5**	**5,554.6**

Non-bank customers' deposits and current accounts of RON 3,815.3 million increase significantly during the year 2018 (+1,510.9 RON million). Of these, 93% are mainly denominated in RON and 83% are term deposits. Growth of the Group's assets is 91% financed of the additional funds attracted from the Bank's clients.

The Group's ***equity*** increase by 99.7 RON million due to the net realized gain.

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

CONTINGENT LIABILITIES/ COMMITMENTS (RONm)	2018		2017	
	GROUP	BANK	GROUP	BANK
Letters of guarantee issued to customers	629.6	629.6	352.7	352.7
Letters of guarantee issued to banks	55.1	55.1	91.6	91.6
Undrawn gurantee commitments	396.8	396.8	259.9	259.9
Undrawn loan commitments	1,201.5	1,201.5	702.4	702.4
Letters of credit	20.0	20.0	7.9	7.9
CONTINGENT LIABILITIES/COMMITMENTS	**2,302.9**	**2,302.9**	**1,414.4**	**1,414.4**

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

The net consolidated profit for 2018 is RON 120.9 million (2017: RON 21.2 million), comprising the Bank's profit in the amount of RON 113.5 million (2017: RON 14.8 million), the loss of RON 2.6 million (2017: 1.0 RON million) of the EximAsig subsidiary and the elements in the amount of RON 10 million eliminated for consolidation (2017: 5.4 RON million).

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

STATEMENT OF PROFIT OR LOSS (RON MILLION)	2018		2017	
	GROUP	BANK	GROUP	BANK
Net interest income	109.5	109.6	107.3	106.5
Net fee and commission income	38.8	38.8	24.1	24.2
Net income from insurance activities	4.4	0.0	9.1	0.0
Net gain/(loss) from foreign exchange differences	14.3	14.3	16.4	16.0
Net gain/(loss) from derivatives	7.8	7.8	-4.0	-4.0
Net gain on available for sale financial assets	0.0	0.0	4.3	4.3
Gain/(loss) on investment property	0.9	0.9	0.5	0.5
Other income	6.1	6.0	6.7	6.5
NET OPERATING INCOME	**181.9**	**177.4**	**164.3**	**153.9**
Salaries and other similar expenses	-83.9	-78.3	-68.9	-64.1
Depreciation and amortization	-6.6	-6.4	-6.6	-6.6
Other operating expenses	-31.4	-29.3	-31.5	-28.8
OPERATIONAL EXPENSES	**-121.8**	**-114.0**	**-107.0**	**-99.5**
NET RESULT BEFORE DEPRECIATION	**60.1**	**63.4**	**57.3**	**54.4**
Gain/(loss) on impairment	82.4	71.7	-30.4	-34.0
GROSS PROFIT BEFORE TAX	**142.6**	**135.1**	**26.8**	**20.4**
Income tax	-21.7	-21.7	-5.6	-5.6
NET PROFIT	**120.9**	**113.5**	**21.2**	**14.8**

181,9 MIL. RON
NET OPERATING INCOME

In 2018, the Bank obtains a net operating income of RON 181.9 million, up by RON 17.6 million compared to the results of the previous year, the effect of the development of the Bank’s comercial activity. The variation of the results recorded in 2018 compared to the previous period is marked by the revenues obtained from the reversals of provisions and recoveries in the amount of RON 82.4 million, corresponding to a risk cost of RON 30.4 million in the previous year, based on the improvement of assets quality.

V. CAPITAL ADEQUACY AND MAIN FINANCIAL INDICATORS DYNAMICS

The **Bank**'s capital adequacy indicator on 31.12.2018, calculated in accordance with Regulation 575/2013, indicates a solid solvency ratio of 31% (*without dividend distribution*), down compared to 2017 (35.4%), but maintained at a comfortable level for business development and well above the average of the banking system (19.7%). The evolution of the main performance indicators of the Group/Bank during the year 2018 is presented below compared to the previous year and the average of the system:

INDICATORS	2018		2017	
	GROUP	BANK	GROUP	BANK
ROA (%)	1.9%	1.9%	0.4%	0.3%
ROE (%)	11.3%	10.9%	2.1%	1.4%
Cost to income	67%	64%	65%	65%
Immediat liquidity	--	59%	--	48%
Loan-deposit ratio	--	90%	--	127%
Debt-to-assets ratio	--	31%	--	35.4%
Market share – assets	--	1.4%	--	1.3%
Market share – corporate loans	--	2.7%	--	2.4%
NPL ratio (EBA)	--	6.2%	--	8.0%
NPL ratio (EBA) – non-financial companies	--	11.8%	--	12.6%

VI. CORPORATE GOVERNANCE

VI.1.
EXIMBANK

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

During 2018, the Board of Directors was formed as follows:

- VASILE SECĂRES - Chairman of the Board of Directors, Independent non-executive member
- TRAIAN SORIN HALALAI - Executive member
- PAUL ICHIM - Executive member
- FLORIAN RAIMUND KUBINSCHI - Executive member
- EMILIAN BĂDICĂ - Non-executive member
- NINA PUIU - Independent non-executive member
- IONUȚ MIȘA - Non-executive member (exercising duties stating from 2.11.2018)

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

The composition of the Executive Committee in 2018 is as follows:

- TRAIAN SORIN HALALAI - Executive President
- PAUL ICHIM - Executive Vice-Ppresident
- FLORIAN RAIMUND KUBINSCHI - Executive Vice-President.

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

VI.2.
EXIMASIG

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

- BOGDAN IULIAN POPA - President, Non-executive member;
- ANDREI RĂZVAN MICU - Executiv member;
- ADRIAN RĂZVAN FLORESCU - Executiv member;
- GABRIEL VASILE OLTEAN - Non-executive member;
- CEZAR FLAVIAN PATRICHE - Non-executive member

The Executive Committee comprises 2 members appointed by mandate for a period of 4 years. Its composition was the following:

- ANDREI RĂZVAN MICU - General Manager;
- ADRIAN RĂZVAN FLORESCU - Deputy General Manager.

VII. HUMAN RESOURCES

EximBank operates through the Bank's Head Office and through the territorial network of 25 territorial units at the end of 2018. At this date, the Bank had a total of 374 employees, including executive directorate, of which 366 were indefinite, 3 were members of the Executive Committee with mandate contract and 5 were hired for a determinated period. In terms of location, 272 employees operate in the Head Office (including executive management of the Bank) while 102 employees in territorial units. At the end of the year, out of a total of 374 employees, 63% were women. Higher education employees account for 97% of the total.

As for the EximAsig subsidiary, as at 31.12.2018 the number of employees was 36 (31.12.2017: 34), continuing the process of streamlining the activities within the internal structures of EximAsig in order to meet the objectives assumed for the current and future period.

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

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

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

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

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

VIII. RISK MANAGEMENT

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

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

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

The Bank's risk monitoring and control functions have defined clear, independent responsibilities for risk-taking functions.

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

The Bank uses key indicators, with limits, specific to each category of risk - *credit, interest rate, currency, liquidity, the risk associated with excessive leverage* - permanently adapted to the evolution of activity and the economic environment. They are regularly monitored, taking into account, in particular, the implications of *operational risk, reputational risk, risk associated with outsourced activities, strategic risk, and compliance risk.*

The Bank periodically carries out a process of self-assessment of risks and related controls. Risk mitigation actions are required for high-risk indicators.

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

IX. INTERNAL CONTROL SYSTEM

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

The internal control framework is structured on three levels:

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

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

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

X. STRATEGY AND PRIORITIES

EximBank continues the general strategy of product portfolio development and balanced reconfiguration in relation to customer needs and specific market conditions. The objectives set for 2019 aim to boost business, following a natural rhythm after previous aggressive expansion periods. The volume is aimed at obtaining improved incomes at low risk, as well as loyalty to clients so that EximBank becomes the preferred partner for carrying out the financial business related operations. In order to do this, it is necessary to continuously adapt the Bank's products according to the requirements of the target customers, together with a commission offer that strengthens the competitive advantages of EximBank in the banking financial market.

In order to quantify the objectives of the activity plan for 2019, the dimensioning of the necessary capacities and of the Bank's budget, normative parameters and indicative benchmarks for the performance of the commercial activity for 2019, separate for the BBB and BBS activity were established.

2,5%

THE INCREASE OF MARKET SHARE TARGET ON THE CORPORATE SEGMENT

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

- the increase in number of customers with financing/ guarantee products, with an emphasis on the small and medium-sized customer segment;cresterea numarului de clienti cu produse de finantare, cu accent pe sub-segmentul clientilor mici si mijlocii
- the increase in exposures per client through; cresterea expunerilor per client prin crosselling;
- maintain the quality of the portfolio and limit the exposure to Watch List customers - up to 8% of the portfolio;
- increasing revenue from the relationship with existing customers by increasing non-lending revenues (cash-management, foreign exchange and derivative financial instruments, securities operations, attracting deposits etc.
- increase EximBank's market share on the corporate segment up to 2.5%.

EximBank's activity as State agent, as a member of the European Union is in line with the National Export Strategy for the 2014-2020 horizon and with the Sectoral Operational Programs with European financing for the same period, and in this way following also to increases its role in supporting the objectives of public interest, in the sustainable development of the economy, in the growth of exports and the absorption of European funds, in increasing the competitiveness of SMEs. In 2019, EximBank aims to take an active role in international working groups in the field of financing and export guarantees, and in groups specialized in promotional and development banks, in order to support Romania's priorities and for the consistency of the public message in the international dialogue.

Besides the implementation of flexible procedures, EximBank will also consider the improvement of the commission schemes and services offered, thus stimulating the inclusion of the state guarantees in the guarantee structure of corporate customers, which results in a level of RON 936 million new guarantees granted in 2019.

With regard to the category of export credit insurance products, taking into account the appetite of local companies to address higher risk markets compared to the intra-Community market, EximBank has extended its insurance offer to factoring operators active on the local market and will continue its strategy to keep costs to the minimum allowed by applicable European and international regulations.

EximAsig subsidiary has established for 2019:

- Continuing the process of developing and attracting partnerships with public state institutions: with public authorities and their subordinate companies (ministries, national companies, county councils, local councils); with local authorities benefiting from various sources of financing for infrastructure works or development of the area;
- Intensifying relations with various professional associations working in the field of construction or service provision in the construction field (professional responsibilities such as those of architects or construction companies, etc.);
- Initiating and developing a bancassurance distribution channel in partnership with other commercial banks;
- Strengthening the position in the commercial credit insurance segment by developing new products to secure commercial claims (umbrella policies, discre-

tionary limits) and streamlining the portfolio through profitability analyzes for each product;

- Strengthening relations with brokers whose portfolio comprises the types of risks practiced by EximAsig; optimization of reinsurance programs; manifestation of openness to co-insurance and fronting partnerships; analyzing the opportunity to expand business to other EU markets;
- Performing profitability analyzes for each product and removing economically ineffective products from the company portfolio;
- Improving the performance of each department and continue the process of harmonizing the company's internal strategies, policies and procedures with those existing in EximBank and being in compliance with the provisions of the FSA;
- Developing the IT system to support the growth of the company's subscription capabilities (including product digitization, easier access for customers to EximAsig product offerings and a high degree of policy security by introducing safety features, considerably diminishing the possibilities of fraud).

BOARD OF DIRECTORS

President,
Vasile SECĂREȘ

XI. EXPORT - IMPORT BANK OF ROMANIA EXIMBANK S.A.

SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

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

CONTENT

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

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

As Executive President of the Export - Import Bank of Romania - EximBank S.A., in accordance with Articles 30 and 31 of Accounting Law No. 82/1991, I assume responsibility for the preparation of consolidated financial statements of the Export - Import Bank of Romania EXIMBANK S.A. Group and for the preparation of separate financial statements Export - Import Bank of Romania EXIMBANK S.A. as at for the year ended 31 December 2018, and I confirm that:

a) The accounting policies used in the preparation of the separate and consolidated financial statements as at 31 December 2018 are in accordance with the International Financial Reporting Standards as endorsed by Europeam Union as at 31 December 2018 and implemented through the Order of the National Bank of Romania no. 27/2010, with subsequent changes and amendments;

b) The consolidated and separate financial statements as at 31 December 2018 fairly present the financial position, financial performance and other information related to the operations carried out;

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

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

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

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

Executive President,

Traian Sorin Halalai

KPMG Audit SRL
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Independent Auditors' Report

(free translation[1])

To the Shareholders of Banca de Import Export a Romaniei - EximBank S.A.
Barbu Delavrancea Street, no. 6A, District 1, Bucharest
Unique Registration Code: 361560

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying consolidated and separate financial statements of Banca de Import Export a Romaniei - EximBank S.A ("the Bank") and its subsidiary (referred to as "the Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2018, the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (referred to as "the financial statements").

2. The financial statements as at and for the year ended 31 December 2018 are identified as follows:

- Total assets (Group): 7,293,378 thousand RON
- Total assets (Bank): 7,200,912 thousand RON
- Net profit for the year (Group): 120,901 thousand RON
- Net profit for the year (Bank): 113,471 thousand RON

3. In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2018, and of their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

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

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Basis for Opinion

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

Key Audit Matters

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

Expected credit losses ("ECL") related to loans granted to customers

As at 31 December 2018, the financial statements include gross loans to customers of RON 3,421,086 thousand, expected credit losses of RON 99,550 thousand, impairment revenues recognized in the statement of profit or loss of RON 47,045 thousand and IFRS 9 transition adjustments of RON 31,361 thousand (31 December 2017: gross loans to customers: RON 2,938,910 thousand, expected credit losses: RON 115,228 thousand and impairment losses recognized in the statement of profit and loss: RON 41,746 thousand).

See Notes 2m, 2j 6, 17, 36 and 37 to the financial statements.

Key audit matter	How the matter was addressed in our audit
As described in the notes to the financial statements, the expected credit losses have been determined in accordance with the Group's and Bank's accounting policies based on the requirements of IFRS 9 Financial Instruments ("IFRS 9"). As required by IFRS 9, the Group and Bank estimates the expected credit losses considering a stage allocation of the loan exposures. We consider impairment of loans and advances granted to customers to be a key audit matter due the magnitude of the related balances as well as due to the new complex accounting requirements of the first time application of IFRS 9 (i.e. new assumptions made and models developed to assess and measure ECL, e.g. macro-economic inputs), which require significant judgement to determine the expected credit losses. Also, the transition adjustment as at 1 January 2018 is a one-off, complex adjustment and could increase risk of misstatement.	Our audit procedures in the area included, among others: • Evaluating the appropriateness of the accounting policies based on the requirements of the relevant accounting standard, our business understanding and industry practice; • Considering the appropriateness of the transition approach and practical expedients applied; • Assessing and testing the design, implementation and effectiveness of the key controls in the Group's and Bank's loans and advances expected credit losses process. This included (i) testing the controls over the completeness and accuracy of data input (mainly for loan and advances exposure, collaterals and interest rates data), (ii) approval of loans (iii) review of collateral valuation reports, and (iv) system

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Management is required to make judgements as to whether there is any significant increase in credit risk since initial recognition or any objective evidence of impairment, based on the assessment of the borrower's debt service and unlikeliness to pay, and as to the future cash flows expected from the borrower (in case of stage 3 allocated exposures often based on the estimation of the fair value of the related collateral).

For stage 1 and stage 2 the expected credit losses are determined based on statistical models using the Group's and Bank's historical data and also forward looking macroeconomic factors (e.g. gross domestic product growth), taking into account similar credit risk characteristics. Management's key assumptions in this area are the probability of borrower default and the assessment of the amount non-recoverable from the borrower in the event of a default ("loss given default").

computation of debt service;

- Assessing of the Group's and Bank's credit risk modeling techniques and methodology against the requirements of the IFRS 9 accounting standard;
- Selecting a sample of loan exposures, with focus on those exposures with the greatest potential impact on the financial statements due to their magnitude and risk characteristics such as classification of loans (stage classification), with the purpose to:
  - Critically assess, by reference to the underlying documentation (loan files) and through discussion with the credit risk management personnel the existence of any significant increase in credit risk since initial recognition or any objective evidence of impairment.
  - Challenging key assumptions applied in the Group's and Bank's estimates of future cash flows used in the impairment calculation, such as collateral values, where relevant, with the assistance of our own valuation specialists.
- For stage 1 and stage 2 impairment allowance:
  - Assessing the reasonableness of the expected credit loss computation model by involving Financial Risk Management specialists to challenge significant assumptions/ judgements relating to the incorporation of the forward looking macroeconomic factors in the probability of default and loss given default parameters;
  - Evaluating the appropriateness and testing the mathematical accuracy of models applied;
  - Testing the completeness and accuracy of underlying data used in the Group's and Bank's process of calculating and validating of the key parameters, such as the probability of default and loss given default.
- Re-performing the Group's and Bank's expected credit loss calculation (for all stages), considering the allocation and discounting of collaterals in case of stage 3 exposures, respectively allocation of probability of default and loss given default in case of stage 1 and 2 exposures.

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- Assessing the accuracy, completeness and relevance of the expected credit losses financial statements disclosures as required by the relevant financial reporting standards.

Other information – Administrators' Report

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

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

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

   With respect to the Administrators' Report we read and report whether the Administrators' Report is prepared, in all material respects, in accordance with NBR Order no. 27/2010, articles 11, 12, 13, 13^1, 14, 37(2) and 37(3) of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

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

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

   b) The Administrators' Report has been prepared, in all material respects, in accordance with NBR Order no. 27/2010, articles 11, 12, 13, 13^1, 14, 37(2) and 37(3) of the accounting regulations in accordance with International Financial Reporting Standards applicable to credit institutions.

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

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

7. Management of the Bank is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Auditors' Responsibility for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

    – Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    – Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Bank's internal control.

    – Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    – Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and/or Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Bank to cease to continue as a going concern.

    – Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

    – Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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Report on Other Legal and Regulatory Requirements

15. We were appointed by the General Shareholders' Meeting on 20 April 2017 to audit the financial statements of Banca de Import Export a Romaniei - EximBank S.A. for the years ended 31 December 2017, 31 December 2018 and 31 December 2019. Our total uninterrupted period of engagement is 5 years, covering the periods ended 31 December 2014 to 31 December 2018.

16. We confirm that:

- Our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank, which we issued on 9 April 2019. We also remained independent of the audited Group and Bank in conducting the audit.
- We have not provided to the Bank the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014.

Other matters

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

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

Refer to the original signed Romanian version	**Refer to the original signed Romanian version**
FURTUNA CEZAR-GABRIEL	**KPMG AUDIT S.R.L.**
registered in the electronic public register of financial auditors and audit firms under no 1526	registered in the electronic public register of financial auditors and audit firms under no 9

Bucharest, 10 April 2019

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I.
CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS

	NOTE	31-DEC-18		31-DEC-17	
		GROUP	BANK	GROUP	BANK
Interest income	3	201,079	201,176	137,552	136,777
Interest expense	4	-91,546	-91,549	-30,265	-30,268
NET INTEREST INCOME		**109,533**	**109,627**	**107,287**	**106,509**
Fee and commission income		45,521	45,521	26,678	26,679
Fee and commission expense		-6,699	-6,676	-2,552	-2,514
NET FEE AND COMMISSION INCOME	**8**	**38,822**	**38,845**	**24,126**	**24,165**
Gross written premiums, net of reinsurance		7,491	-	4,944	-
Gross written premiums		10,976	-	12,831	-
Premiums ceded to reinsurance		-3,485	-	-7,885	-
Variation of technical reserves, net of reinsurance		-1,330	-	4,058	-
Income from reinsurance commissions		484	-	1,523	-
Acquisition and other underwriting expenses		-1,996	-	-1,243	-
Other technical expenses, net of reinsurance		-210	-	-172	-
Claims related to insurance contracts		-549	-	-18,329	-
Claims ceded to reinsurance		339	-	18,157	-
NET INCOME FROM INSURANCES ACTIVITIES	**9**	**4,439**	**-**	**9,112**	**-**
Net gain from foreign exchange differences	6	14,337	14,264	16,361	15,992
Net trading income/(expense)	6	7,821	7,821	-3,977	-3,977
Net gain from available for sale financial assets	7	-	-	4,279	4,279
Gain from investment property	20	863	863	455	455
Other income	10	6,114	6,012	6,661	6,488
NET OPERATING INCOME		**181,929**	**177,432**	**164,304**	**153,911**
Salaries and other similar expenses	11	-83,854	-78,312	-68,881	-64,087
Depreciation and amortization	19	-6,576	-6,448	-6,636	-6,591
Other operating expenses	12	-31,376	-29,268	-31,508	-28,824
Release/(Charge) on impairment of financial assets, commitments and guarantees	5	82,438	71,727	-30,444	-34,005
GROSS PROFIT BEFORE TAX		**142,561**	**135,131**	**26,835**	**20,404**
Income tax	13	-21,660	-21,660	-5,595	-5,595
NET PROFIT		**120,901**	**113,471**	**21,240**	**14,809**

The financial statements were approved by the Board of Directors on 10 Aprilie 2019.

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

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

	31-DEC-18		31-DEC-17	
	GROUP	**BANK**	**GROUP**	**BANK**
NET PROFIT FOR THE PERIOD	**120,901**	**113,471**	**21,240**	**14,809**
OTHER COMPREHENSIVE INCOME, NET OF TAX	**3,277**	**3,277**	**-41,065**	**-41,065**
ITEMS THAT ARE OR MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	**3,277**	**3,277**	**-41,065**	**-41,065**
Net gain/(Loss) from the reevaluation of financial instruments available for sale	-	-	-48,887	-48,887
Net gain/(Loss) from the reevaluation of financial instruments at fair value through other comprehensive income	3,801	3,801	-	-
Net gain/(Loss) from the reevaluation of equity instruments at fair value through other comprehensive income	104	104	-	-
Deffered tax related to financial instruments available for sale	-	-	7,822	7,822
Deffered tax related to financial instruments through other comprehensive income	-611	-611	-	-
Deffered tax related to equity instruments at fair value through other comprehensive income	-17	-17	-	-
ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**-**	**-**	**-**	**-**
Revaluation surplus	-	-	-	-
Deferrend tax on revaluation surplus	-	-	-	-
Other items				
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**124,178**	**116,748**	**-19,825**	**-26,256**
NET PROFIT/(LOSS) ATTRIBUTABLE TO:	**120,901**	**-**	**21,240**	**-**
Controlling interests	120,939		21,210	
Non-controlling interests	-38	-	30	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:	**124,178**	**-**	**-19,825**	**-**
Controlling interests	124,216		-19,855	
Non-controlling interests	-38	-	30	-

The financial statements were approved by the Board of Directors on 10 Aprilie 2019.

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

III.
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

The financial statements were approved by the Board of Directors on 10 April 2019.

ASSETS	NOTE	31-DEC-18 GROUP	31-DEC-18 BANK	31-DEC-17 GROUP	31-DEC-17 BANK
Cash and cash equivalents		373	370	424	405
Accounts with the National Bank of Romania	14	742,684	742,684	206,689	206,689
Due from banks	15	792,185	767,927	203,634	177,027
Derivative financial instruments	16	4,495	4,495	1,627	1,627
Financial instruments at fair value through profit and loss	18	68,620	68,620	73,909	73,909
Available for sale financial instruments	18	-	-	2,153,458	2,153,458
Financial assets at fair through other comprehensive income	18	1,667,255	1,667,255	-	-
Held to maturity financial instruments	18	-	-	40,501	-
Financial assets at amortised cost	18	556,959	517,260	-	-
Loans and advances to customers, net	17	3,321,486	3,321,486	2,823,682	2,823,682
Investments in subsidiaries, out of which	18	-	34,047	-	44,123
Loan convertible into shares	*18*	-	*591*	-	*20,080*
Property, plant and equipment, net	19	10,922	10,475	12,752	12,596
Intangible assets, net	19	6,269	5,996	5,230	5,205
Investment property, net	20	40,587	40,587	39,724	39,724
Other assets	21	77,529	15,696	73,649	12,936
Deffered tax asset		4,014	4,014	3,210	3,210
TOTAL ASSETS		**7,293,378**	**7,200,912**	**5,638,489**	**5,554,591**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Derivative financial instruments	16	756	756	3,008	3,008
Due to banks	22	435,798	435,798	517,461	517,461
Deposits from Ministry of Public Finance	23	1,727,021	1,727,021	1,647,841	1,647,841
Due to customers	25	3,815,260	3,815,354	2,304,377	2,305,044
Deferred income and accrued expenses	29	22,217	22,198	14,626	14,620
Provisions	26	40,558	36,106	20,552	16,104
Other liabilities	27	129,315	41,719	107,825	20,790
Deferred tax liability	13	-	-	-	-
TOTAL LIABILITIES		**6,170,925**	**6,078,952**	**4,615,690**	**4,524,868**
Share capital	30	1,701,474	1,701,474	1,701,474	1,701,474
Retained earnings	32	75,399	75,553	6,426	13,994
Retained earnings , IAS 29 application	32	-900,714	-900,714	-900,714	-900,714
Reserves	33	234,573	234,418	226,422	226,282
Revaluation reserves for tangible assets	33	25,661	25,661	25,661	25,661
Reserves from available for sale assets	34	-	-	-36,974	-36,974
Reserves for instruments at fair value through other comprehensive income	34	-14,432	-14,432	-	-
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		**1,121,961**	**1,121,960**	**1,022,295**	**1,029,723**
Non – controlling interests		492	-	504	-
TOTAL EQUITY		**1,122,453**	**1,121,960**	**1,022,799**	**1,029,723**
TOTAL LIABILITIES AND EQUITY		**7,293,378**	**7,200,912**	**5,638,489**	**5,554,591**

IV.
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

Group – 2017	Share capital	Revaluation reserve	Reserves from available-for sale assets	Reserves	Retained earnings, adjustment for inflation of share capital under IAS 29	Retained earnings	Total attributable to shareholders of the Parent company	Non – controlling interests	Total equity
BALANCE AS AT 1 JANUARY 2017	**1,701,474**	**25,661**	**4,091**	**225,390**	**-900,714**	**-8,715**	**1,047,187**	**474**	**1,047,661**
Revaluation AFS	-	-	-41,065	-	-	-	-41,065	-	-41,065
Revaluation of land/buildings	-	-	-	-	-	-	-	-	-
Other movements in retained earnings	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	1,032	-	20,178	21,210	30	21,240
COMPREHENSIVE INCOME – SUBTOTAL	**-**	**-**	**-41,065**	**1,032**	**-**	**20,178**	**-19,855**	**30**	**-19,825**
Dividends to shareholders	-	-	-	-	-	-5,037	-5,037	-	-5,037
Share capital increase	-	-	-	-	-	-	-	-	-
Minority interest change	-	-	-	-	-	-	-	-	-
BALANCE AS AT 31 DECEMBER 2017	**1,701,474**	**25,661**	**-36,974**	**226,422**	**-900,714**	**6,426**	**1,022,295**	**504**	**1,022,799**

Group – 2018	Share capital	Revaluation reserve	Reserves from available-for sale assets	Reserves	Retained earnings, adjustment for inflation of share capital under IAS 29	Retained earnings	Total attributable to Equity holders of the Parent company	Non – controlling interests	Total equity
BALANCE AS AT 1 JANUARY 2018	**1,701,474**	**25,661**	**-36,974**	**226,422**	**-900,714**	**6,426**	**1,022,295**	**504**	**1,022,799**
Impact of adopting IFRS 9	-	-	19,265	-	-	-31,367	-12,102	-	-12,102
Balance as at 1 January 2018 IFRS 9	1,701,474	25,661	-17,709	226,422	-900,714	-24,941	1,010,193	504	1,010,697
Revaluation of assets at fair value – other comprehensive income	-	-	3,277	-	-	-	3,277	-	3,277
Revaluation of land/buildings	-	-	-	-	-	-	-	-	-
Other movements in retained earnings	-	-	-	1,379	-	-1,379	-	-	-
Profit for the year	-	-	-	6,770	-	114,168	120,938	-37	120,901
COMPREHENSIVE INCOME - SUBTOTAL	**-**	**-**	**3,277**	**8,149**	**-**	**112,789**	**124,215**	**-37**	**124,178**
Dividends to shareholders	-	-	-	-	-	-12,409	-12,409	-	-12,409
Minority interest change	-	-	-	2	-	-40	-38	25	-13
BALANCE AS AT 31 DECEMBER 2018	**1,701,474**	**25,661**	**-14,432**	**234,573**	**-900,714**	**75,399**	**1,121,961**	**492**	**1,122,453**

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

Bank - 2017	Share capital	Revaluation reserve	Reserves from available -for sale assets	Reserves	Retained earnings, adjustment for inflation of share capital under IAS 29	Retained earnings	Total Equity
BALANCE AS AT 1 JANUARY 2017	**1,701,474**	**25,661**	**4,091**	**225,261**	**-900,714**	**5,243**	**1,061,016**
Reevaluation AFS	-	-	-41,065	-	-	-	-41,065
Revaluation of land/buildings	-	-	-	-	-	-	-
Other movements in retained earnings	-	-	-	-	-	-	-
Profit for the year	-	-	-	1,021	-	13,788	14,809
COMPREHENSIVE INCOME - SUBTOTAL	**-**	**-**	**-41,065**	**1,021**	**-**	**13,788**	**-26,256**
Dividends to shareholders	-	-	-	-	-	-5,037	-5,037
BALANCE AS AT 31 DECEMBER 2017	**1,701,474**	**25,661**	**-36,974**	**226,282**	**-900,714**	**13,994**	**1,029,723**

Bank - 2018	Share capital	Revaluation reserve	Reserves from available-for sale assets	Reserves	Retained earnings, adjustment for inflation of share capital under IAS 29	Retained earnings	Total Equity
BALANCE AS AT 1 JANUARY 2018	**1,701,474**	**25,661**	**-36,794**	**226,282**	**-900,714**	**13,994**	**1,029,723**
Impact of transition at IFRS 9	-	-	19,265	-	-	-31,367	-12,102
Balance as at 1 January 2018 IFRS 9			-17,709			-17,373	1,017,621
Re-evaluation of assets at fair value – other comprehensive income	-	-	3,277	-	-	-	3,277
Revaluation of land/buildings	-	-	-	-	-	-	-
Other movements in retained earnings	-	-	-	1,379		-1,379	-
Profit for the year	-	-	-	6,757	-	106,714	113,471
COMPREHENSIVE INCOME - SUBTOTAL	**-**	**-**	**3,277**	**8,136**	**-**	**105,335**	**116,748**
Dividends to shareholders	-	-	-	-	-	-12,409	-12,409
BALANCE AS AT 31 DECEMBER 2018	**1,701,474**	**25,661**	**-14,432**	**234,418**	**-900,714**	**75,553**	**1,121,960**

The financial statements were approved
by the Board of Directors on 10 April 2019.

V.
CONSOLIDATED AND SEPARATE CASH FLOWS STATEMENT

	NOTE	31-DEC-18 GROUP	31-DEC-18 BANK	31-DEC-17 GROUP	31-DEC-17 BANK
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		142,561	135,131	26,835	20,404
ADJUSTMENTS FOR:		**-40,685**	**-30,737**	**48,226**	**51,742**
Depreciation and amortization	19	6,576	6,448	6,636	6,591
Net impairment allowances for financial assets and guarantees granted	5	-56,157	-46,160	42,356	45,917
Other provisions		9,618	9,618	-311	-311
Other non-cash adjustments		-722	-643	-455	-455
CHANGE IN OPERATING ASSETS		**-467,039**	**-465,919**	**-760,818**	**-749,494**
Decrease/(Increase) in loans and advances to customers		-467,348	-467,348	-705,450	-705,450
Decrease/(Increase) in trading assets		170	170	-56,328	-56,328
Decrease/(Increase) in other assets		139	1,259	960	12,284
CHANGE IN OPERATING LIABILITIES		**1,512,639**	**1,511,501**	**1,321,811**	**1,310,160**
(Decrease)/Increase in due to banks		-82,087	-82,087	19,744	19,744
(Decrease)/Increase in due to customers		1,510,879	1,510,310	1,342,104	1,342,104
(Decrease)/Increase in other liabilities		83,847	83,278	-40,036	-51,687
Income tax paid		-1,235	-1,235	8,858	8,858
Net cash used in operating activities		1,146,241	1,148,741	644,912	641,670
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of investment securities		-933,511	-933,511	-1,641,343	-1,616,507
Proceeds from sale and buy back of financial investments		929,816	929,014	1,217,725	1,217,725
Investment in subsidiaries	18	0	0	-	-20,000
Acquisition of property, plant and equipment and intangible assets		-5,785	-5,118	-4,476	-4,375
Proceeds from the sale of property and equipment and intangible assets		0	0	-	-
Dividends received	10	581	581	483	483
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**-8,899**	**-9,034**	**-427,612**	**-422,675**
Dividends paid		-12,409	-12,409	-5,037	-5,037
Net cash flows used in financing activities		-12,409	-12,409	-5,037	-5,037
Change in cash and cash equivalents		1,124,933	1,127,298	212,263	213,958
Balance at the beginning of the period		410,747	384,121	198,484	170,163
Balance at the end of the period		1,535,680	1,511,419	410,747	384,121
CASH AND CASH EQUIVALENTS		**1,535,680**	**1,511,419**	**410,747**	**384,121**
Cash		373	370	424	405
Accounts with the National Bank of Romania	14	742,873	742,873	206,689	206,689
Due from banks – maturity less than 3 months	15	792,434	768,176	203,634	177,027
Interest received		241,472	240,449	181,545	180,770
Interest paid		83,422	82,305	27,239	27,236

The financial statements were approved by the Board of Directors on 10 Aprilie 2019.

VI. NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

01. GENERAL INFORMATION

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

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

The head office of the Bank is located at 6A, Barbu Delavrancea Street, District 1, Bucharest, Romania. The Bank is registered with the Trade Register under number J40/8799/1992. At 31 December 2018, the Bank has 25 branches out of which one in Bucharest and 24 branches throughout the country located in: Bucharest, Bacau, Brasov, Buzau, Cluj, Constanta, Craiova, Oradea, Timisoara, Iasi, Sibiu, Pitesti, Targu Mures, Ploiesti, Galati, Arad, Ramnicu-Valcea, Bistrita, Baia-Mare and Suceava, Deva, Alba Iulia, Miercurea Ciuc and Satu Mare.

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

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

The Bank controls the activity of the EximAsig subsidiary through a holding of 97,05% from equity (31.12.2017: 97.05%) at 31.12.2018, according to the evidence present at the Trade Register, being in process of increasing the equity by converting the subordinated loan of RON 20.000 thousand.

The consolidated and separate financial statements of the Bank, respectively of the Group, for the year ended 31 December 2018 were authorized by the Board of Directors on 10 April 2019.

The Group had 388 employees at 31 December 2018 (out of which 410 are employees of the Bank and respectively 36 are employees of EximAsig), whereas at 31 December 2017 the Group had 388 employees (out of which 354 were Bank's employees and respectively 34 were employees of EximAsig).

02. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

A. BASIS OF PREPARATION

The separate and consolided financial statements (hereinafter reffered to as „financial statements" are prepared and presented in Romanian Lei, the functional and presentation currency of the Bank/Group, rounded to the nearest thousand (RON '000).

The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union as at 31 December 2018, on an amortised cost and historical cost basis, modified under IAS 29, except for property, plant and equipment, representing buildings or investment property which are valued at their revalued value, and derivative financial instruments, as well as financial assets and liabilities measured at fair value through profit and loss and at fair value through other comprehensive income.

The Bank's accounting records are kept in RON, in accordance with the Romanian Accounting Law and banking regulations issued by the National Bank of Romanian („NBR") and are based on International Financial Reporting Standards as endorsed by the European Union (hereinafter reffered to as „IFRS"), implemented as accounting framework under the Order of National Bank of Romanian No. 27/2010 with subsequent amendments.

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

B. BASIS OF CONSOLIDATION

The Group's consolidated financial statements comprise of the financial statements of Exim S.A. and of its subsidiary as at 31 December 2018.

A subsidiary is an entity, including an unincorporated entity such a partnership, which is controlled by the parent company. The financial statements of the subsidiary are prepared for the same reporting period as for the Bank, using consistent acounting policies, while the balances, transactions, income and expenses within the Group are compensated at full value.

Non-controlling interests are disclosed in the consolidated statement of financial position in equity section, separately from the equity of the Group, proportionally with the participation percentage. Non-controlling interests are disclosed separately in the Group's profit or loss account, pro-rata according to the ownership percentage.

If losses attributable to non-controlling interests exceed the non-controlling interests in the relevant subsidiary's equity position, the excess or any further losses attributable to non-controlling interests are posted on the Group's accounts, excepting the case when a liability with legal implications exists, or losses absorbing capacity exists. If excess losses have been covered by the Group, and the subsidiary subsequently reports profits, all such profits are allocated to the Group until prior Group covered losses attributable to the minority's interests, have been recovered.

In separate financial statements, the Bank presents the participation in EximAsig as an investment in subsidiaries, measured at cost, anually performing the impairment test in order to evaluate whether there are objective evidence of the participation impairment.

Concerning the consolidation method applicable for investments in subsidiaries, the Bank applies "the global consolidation - purchase method" as described by the International Financial Reporting Standard 10 „Consolidated financial statements". The consolidation process involves the restatement of accounts and statutory financial statements of subsidiaries, whenever national accounting regulations significantly differ from International Financial Reporting Standards.

Settlements and transactions within the Group, as well as unrealized profits as a result of transactions within the group, are eliminated entirely from the consolidated financial statements. The unrealized profits resulting from transactions with related or jointly controlled parties, are eliminated based on the Group's participation percentage. The unrealized profits as a result of transactions with a related party, are eliminated as well as the investment in that related party. Unrealized losses are eliminated in the same manner as unrealized profits, provided that no objective evidence of impairment exist.

C. ACCOUNTING FOR HYPERINFLATION

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

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

D. JUDGMENTS AND ACCOUNTING ESTIMATES

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

D.1. THE POLICY APPLICABLE BEFORE 1ST OF JANUARY 2018

Incurred losses from impairment of loans and receivables

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

Losses from impairment of investments in subsidiaries

The Bank/Group evaluates peridically whether there are objective evidence to support the impairment of subsidiary shareholdings. The subsidiary shareholdings are evaluated based on the present value of future cash flows, discounted using the market rates of returns on the market for similar financial assets. The Bank/Group takes into account estimates refering to the budget and the near future business plan. The evaluation is conducted by external authorised evaluators. Based on this evaluation, the Bank records the impairment of securities as the difference between the value of net assets and the evaluation value adjusted function of the subsidiary's equity.

Impairment of financial assets available for sale

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

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

Adjustments resulted from the impairment for financial guarantees

The Bank/Group periodically reviews the portfolio of guarantees granted to identify objective evidence based on which it is estimated the probability of specific payments to the beneficiary of a financial guarantee in order to compensate for the loss in case a third party doesn’t comply with its obligations towards the beneficiary. If objective evidence of depreciation is identified, The Bank/Group recognises to an adjustment for impairment which is recorded as expense in the profit/loss account.

D.2. POLICY APPLICABLE FROM 1ST OF JANUARY 2018

Expected losses on impairment of financial assets at amortised cost

The Bank/Group periodically reviews all financial assets designated at amortised cost (including lending and guarantee commitments) to identify exposures whose credit risk has significantly increased since initial recognition and also impaired exposures; for all of these exposures, the amount of expected credit loss is determined over their residual life. For loans and receivables and credit and guarantee commitments whose credit risk did not increase significantly since initial recognition, an adjustment equal to the expected credit loss over a maximum of one year from the reporting date is determined.

In order to identify a significant credit risk deterioration, the Bank/Group reviews a set of quantitative and qualitative criteria, including at least the customer's payment history, financial performance, other adverse aspects assessed on a case-by-case basis. Lifetime expected credit losses are recognized by taking into account the relevant available information as well as the Bank's future expectations.

For impaired exposures, the Bank determines expected credit losses based on individual analysis/assessment of exposures; otherwise expected losses are calculated based on collective analysis/assessment by grouping financial instruments with similar credit risk characteristics.

The credit risk review process is continuous. The methodology and assumptions used to estimate impairment adjustments are reviewed on a regular basis to adequately estimate the expected loss in the value of the financial asset. The methodology incorporates the effect of macroeconomic indicators on recovery estimates and the probability of default.

Impairment of investments in subsidiaries

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

Based on the professional analysis, the Bank records the impairment of investments as the difference between the net book value of the asset and the valuation amount.

D.3. TAXATION

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

D.4. PROVISIONS FOR RETIREMENT BENEFITS

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

D.5. INSURANCE TECHNICAL RESERVES

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

Premium reserves

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

Reserve for Reported but not settled claims (RBNS)

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

Reserve for Incurred but not reported claims (IBNR)

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

Unexpired risks reserve

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

Benefits and rebates reserve

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

E. CHANGES IN ACCOUNTING POLICIES

The Bank/Group has adopted IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with customers" starting with 1st of January 2018. A number of new standards are also effective from 1st of January 2018 but they do not have material effect on the Bank/Group's financial statements.

Due to the transition method chosen by the Bank/Group in applying IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect its requirements. The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and related assets and liabilities recognized by the Bank/Group.

The effect of initially applying IFRS 9 is the following:

- Change in the classification of financial assets and liabilities in accordance with IFRS 9;
- An increase in impairment losses recognized on financial assets (see Note 2 jj and Note 17);
- Additional disclosures related to IFRS 9 (see Note 17 and 38).

Except for the changes mentioned below, from Note 2jj, the Bank/Group has consistently applied the accounting policies set out in Note 2 (f) to (2ii) for all the periods presented in the financial statements.

Standards and interpretations that are not yet effective

The Bank and the Group ensure the alignment of their accounting policies with the amendments to international financial reporting standards, whenever appropriate. The International Accounting Standards Board has published a series of pronouncements detailed in the section below but which do not have a material impact on the Group's or the Bank's financial statements for the year ended 31 December 2018 that may require significant review of their accounting policies.

A. The following new accounting Standards, amendments to Standards and Interpretations are not yet mandatory effective for the annual periods beginning on or after 1st of January 2018 and have not been applied in preparing the financial statements as at 31 December 2018. The Bank/Group plans to adopt these pronouncements when they become effective.

IFRS 16 Leases (Effective for annual periods beginning on or after 1st of January 2019)

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

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

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

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

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

The Bank/Group analyzed all the leases where the Bank/Group is a lessee and applied the standard model starting from 1st of January 2019. The impact on total assets is estimated of RON 29.5 million, coming mainly from the treatment of operating leases for the Bank's offices in accordance with IFRS 16. The impact of IFRS 16 was an increase in right-of-use assets by RON 29.5 million in counterparty with an increase in lease liabilities.

IFRIC 23 Uncertainty over Income Tax Treatments (Effective for annual periods beginning on or after 1st of January 2019. Early application is permitted)

This interpretation is effective for annual periods beginning on or after 1 January 2019 and early application is permitted. The interpretation addresses the accounting for income tax treatment when the tax treatment involves a degree of uncertainty that affects the application of IAS 12.

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is probable that the tax authority will accept the entity's chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected (sum of probability weighted amounts) value. An entity must assume the tax authority will examine the position and will have full knowledge of all the relevant information.

The Bank/Group does not expect that the IFRIC 23, when initially applied, will have material impact on the financial statements as the Bank/Group does not have material uncertain tax positions.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

(Effective for annual periods beginning on or after 1st of January 2019. Early application is permitted). These amendments address concerns raised about accounting for financial assets that include particular contractual prepayment options. In particular, the concern was related to how a company would classify and measure a debt instrument if the borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed. Such a prepayment amount is often described as including 'negative compensation'. Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. The amendments enable entities to measure at Amortised cost some prepayable financial assets with so-called negative compensation.

The amendments to IFRS 9 do not have an impact on the Bank's/Group's financial statements.

IFRS 17 Insurance Contracts

(Effective for annual periods beginning on or after 1st of January 2021; to be applied prospectively. Early application is permitted. This pronouncement is not yet endorsed by the EU.)

IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches.

IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values, instead of historical cost.

The Group has not assessed the impact that IFRS 17 will have on the financial statements of EximAsig subsidiary.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

(Effective for annual periods beginning on or after 1st of January 2019. These amendments are not yet endorsed by the EU)

The Amendments clarifies that companies account for investments in associates or joint ventures, for which equity method is not applied, in accordance with provisions of IFRS 9 Financial Instruments.

The amendments to IAS 28 do not have an impact on the Bank's/Group's financial statements.

Amendments to IAS 19: Employee Benefits

(Effective for annual periods beginning on or after 1st of January 2019. These amendments are not yet endorsed by the EU)

The amendments are applicable for annual periods beginning on or after 1st of January 2019, with earlier application permitted. The Amendments require that entities use current and updated assumptions when a change to a plan, and amendment, curtailment or settlement takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. The amendments also clarify how accounting for the amendment, curtailment or settlement of a plan affects the application of the asset ceiling requirements.

The amendments to IAS 19 do not have an impact on the Bank's/Group's financial statements.

Amendments to IFRS 3 Business Combinations

(Effective for annual periods beginning on or after 1st of January 2020. These amendments are not yet endorsed by the EU)

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

(Effective for annual periods beginning on or after 1st of January 2020. These amendments are not yet endorsed by the EU)

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The Bank/Group does not expect that any of these Amendments will have a material impact on its financial statements when initially applied.

B. Annual Improvements to IFRS 2015-2017 Cycle

(Effective for annual periods beginning on or after 1st of January 2019. These annual improvements are not yet endorsed by the EU.)

The Improvements to IFRSs (2015-2017) contains the following amendments to standards. The main changes were to:

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:**

Clarify that the entity remeasures its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3 Business Combinations;

Clarify that the entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the joint operation in accordance with IFRS 11 Joint Arrangements;

- **IAS 12 Income taxes**

Clarify that the entity should always accounts for income tax consequences of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized past transactions or events that generated distributable profits.

- **IAS 23 Borrowing Costs**

Clarify that the entity should exclude from the funds that the entity borrows generally borrowings made specifically for the purpose of obtaining a qualifying asset under IAS 23 until substantially all the activities necessary to prepare that asset for its intended use or sale are complete.

F. FOREIGN EXCHANGE

Transactions in foreign currencies are translated to the functional currency of the Bank/Group at exchange rates valid on transaction dates. Foreign exchange translation differences are recognized in the profit or loss account based on the foreign exchange rate at the respective date.

Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are translated to the functional currency at the exchange rate as at reporting date, using the NBR closing exchange rate. Non-monetary assets and liabilities are measured in terms of historical cost in a foreign currency and translated using the exchange rate as at the date of the transaction.

At 31 December 2018 and 31 December 2017 respectively, the exchange rates of the main foreign currencies were:

1 EUR = 4,6639 RON (31 December 2017: 1 EUR = 4,6597 RON).

1 USD = 4,0736 RON (31 December 2017: 1 USD = 3,8915 RON).

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

G. INTEREST INCOME AND INTEREST EXPENSES

Accounting policy before 1st of January 2018

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

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

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

Commissions which are part of a financial instrument's effective interest rate, represent a compensation for operations such as the analysis of the debtor's financial performance, the valuation and booking of collaterals, negotiation of the financial instrument terms, the drafting and processing of contracts, as well as granting loans, commitment fees received for granting loans. These commissions, together with the corresponding transaction fees, are deferred and recognized as an interest income adjustment, using the effective interest rate. The unAmortised part of these commissions, is presented as a deferred amount.

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

Policy applicable from 1st of January 2018

Interest income and expense are recognised in the income statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Bank/Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. By applying the effective interest rate method, the Bank/Group amortizes any commissions, transaction costs or other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- financial assets purchased or originated credit-impaired, when a credit-adjusted effective interest rate (credit-adjusted EIR) is applied to the depreciated cost of the financial asset from initial recognition.
- financial assets that are not purchased or originated credit-impaired, but which subsequently became credit-impaired financial assets, in which case the entity applies the effective interest rate to the Amortised cost of the financial assets in subsequent reporting periods.

The credit adjusted effective interest rate (credit-adjusted EIR) is determined as the rate that discounts the estimated future cash flows all contractual terms of the financial asset as well as the expected loss from credit risk.

When applying the effective interest rate method, the Bank/Group identifies commissions that are an integral part of the effective interest rate of a financial instrument. Commissions that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate unless the financial instrument is measured at fair value, the change in fair value being recognized in profit or loss. In these circumstances, commissions are recognized as income or expenses at initial recognition.

Commissions that are an integral part of the effective interest rate of a financial instrument include:

- granting and analysis commissions charged by the Bank/Group, related to the origination of a financial asset. Such fees may include compensation for activities such as assessing the debtor's financial condition, assessing and recording collaterals, actual guarantees and other securities commitments, negotiating instrument clauses, drafting and processing documents and closing the transaction;
- commitment fees charged by the Bank/Group to issue a loan when it is probable that the entity will enter into a particular lending agreement. If the commitment term expires without the Bank/Group granting the loan, the commission is recognized as income at the expiration date;
- issuing commissions paid on the issue of financial liabilities measured at Amortised cost.

Commissions that are not an integral part of the effective interest rate of a financial instrument and that are accounted for in accordance with IFRS 15 include:

- loan administration fees;
- commitment fees for issuing a loan when it is unlikely to conclude a specific lending agreement;
- syndication fees.

H. FEE AND COMMISSION INCOME AND EXPENSE

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

Commission expense include expenditure on services rendered by third parties, mainly:

- Commissions for guarantees and securities transactions settled by the Bank on behalf of its customers;
- Commissions for processing payment orders and other related expenses or revenues, and other account management charges;
- Commissions charged for foreign exchange operations and for foreign currencies settlement on behalf of its customers, etc.

Commissions that are part of the effective interest rate are deferred over the tenor of the loan and recognized as interest income.

I. DIVIDEND INCOME

Dividend income is recognized in the statement of profit or loss, at the date the right to receive the payment is established. Dividends are presented as a component of other operating income.

Income from shares and investments other than fixed income securities are recognized as dividend income only at transaction date.

Dividends are treated as profit distribution for the period they are reported and approved by the General Shareholders Meeting.

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

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

(i) Date of recognition

Purchase or sale of financial assets that involves delivery of assets within a time frame, generally established by regulation or convention in the market, are recognized on settlement date, namely at the date the contract is settled through the delivery of instruments.

Derivatives are recognized at transaction date, which is the date on which the Bank/Group commits itself to buy or sell the derivatives.

(ii) Initial recognition of financial instruments

All financial instruments are initially measured at their fair value plus, in case of financial assets and financial liabilities not designated at fair value through profit or loss, any directly attributable incremental acquisition or issuing costs.

(iii) Classification and measurement of financial assets and liabilities

The policy applicable before 1st of January 2018

The initial classification of financial instruments depends on their features and the purpose for which they were acquired.

The Bank and Group classify financial assets within the following categories:

a) Loans and receivables;

b) Financial assets or financial liabilities designated at fair value through profit or loss:

- Financial instruments designated at fair value through profit or loss upon initial recognition;
- Held for trading financial instruments;

c) Held to maturity investments;

d) Available for sale financial assets.

Loans and receivables represent non-derivative financial assets with fixed or determined payments, not traded on an active market, which are not held for trading, nor are designated at fair value through the profit and loss account nor available for sale.

Loans and advances to customers, originated by providing cash directly to the debtors, are measured initially at fair value including discounts or premiums, commissions or acquisition costs. Loans and advances are subsequently measured at Amortised cost using the effective interest rate method, less allowance for impairment.

Financial instruments designated at fair value through profit or loss account include:

- Financial instruments designated at fair value through profit or loss upon initial recognition;
- Financial instruments held for trading.

The Bank/Group initially recognizes a financial asset or liability as a financial instrument designated at fair value through profit or loss if:

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

The Bank/Group classify a financial asset or liability as held for trading, if that instrument is:

- acquired to be sold or redeemed in the near future;
- part of an identified financial instruments portfolio, managed together, for which there is evidence of a real and recent pattern of realizing profit in the short term;
- a derivative (with the exception of a derivative which is a financial guarantee contract, or a hedging instrument).

The Bank/Group includes derivatives in the Held-for-trading category with the purpose of financing operations or mitigating currency risk and interest rate risk.

Derivatives are initially recognized at fair value as at the derivative agreement date and are subsequently re-measured at their fair value. Fair value is computed based on valuation techniques, including discounted cash flow models. All derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

Gain or loss on derivative instruments, whether realized at the moment of the transaction, or unrealized and derived from changes in fair value of derivative instruments, are immediately recognized in profit or loss, in net income from trading caption.

Certain derivatives embedded in other financial instruments, such as the conversion option of a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host agreement and the host agreement is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. No embedded derivatives exist at reporting date.

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

The Bank/Group does not classify any asset as held-to-maturity if the Bank/Group has sold or reclassified, in the current year or past two financial years, more than one insignificant amount (insignificant amount as compared to the total value of held – to – maturity investments), except for the following sales or reclassifications:

i) Sales/reclassifications which are close to the maturity date or to the anticipated redemption of the financial asset (e.g. less than 3 months to maturity), and as such variations in the market interest rate do not have a significant impact on the fair value of the financial asset;

ii) Sales/reclassifications which take place after the entity has collected most of the initial value of the financial asset, through regular payments or early redemptions; or

iii) The sale or reclassification is attributable to an isolated event, which is not under the control of the entity, unlikely to repeat itself and that could not have been foreseen reasonably by the Bank/Group

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

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

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

Available-for-sale investments are measured at fair value, based on the market price of listed securities. The fair value of unlisted securities is estimated by using appropriate models or valuation methods adopted to match the specific financial results of the investor.

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

Available - for - sale investments are deemed impaired when there is a significant and prolonged decline in their fair value. The amount of cumulative loss in respect of treasury bills and government bonds represent the difference between acquisition cost/impaired value and fair value. If an available-for-sale financial asset is impaired, the difference between the acquisition cost (net of any principal repayment and amortization) and its fair value, less any impairment loss on that financial assets previously recognized in the statement of profit or loss, is transferred from equity to the statement of profit or loss.

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

Policy applicable from 1st of January 2018

The Bank/Group classifies financial assets either as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the following criteria:

- The Bank's/Group's business model for managing the financial assets and
- The contractual cash flow characteristics of the financial asset.

The business model represents the way to manage the financial assets in order to generate cash flows, by determining whether the Bank's goal is to collect contractual cash flows, sell financial assets, or both. The factors considered by the Bank to establish the business model are: history of collecting cash flows, asset performance valuation, assessment and management of the associated risk.

Financial assets measured at amortised cost

Amortised cost is the amount at which financial assets or financial liabilities are measured at initial recognition minus principal repayments plus or minus accumulated depreciation using the effective interest rate method for each difference between the initial amount and the amount at maturity. In the case of financial assets, the Amortised cost is adjusted with the amount of the expected credit loss provision.

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

The Bank/Group designates a financial asset at amortised cost if both of the below conditions are met:

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

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

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

In accordance with IFRS 9, the Bank/Group defines the principal of a financial asset as its fair value at initial recognition, but which varies over the life of the financial instrument (for example, in the case of principal repayments).

Interest represents the cost of principal over the life of the financial instrument - according to the time value of money principle - and it is intended to cover the associated credit and liquidity risks, the administrative costs and the profit margin of the financial instrument.

The analysis of cash flows associated to a financial instrument is performed by determining:

- The lender's rights to collect amounts according to the concluded agreement;
- The risks associated with the collection and market volatility to which the lender is exposed.

As a general rule, loans and receivables are considered to meet the conditions of the SPPI test if they have only fixed payments on fixed dates or fixed or variable payments determined by applying an interest rate index (e.g. ROBOR, EURIBOR, LIBOR, prime rate index, etc.) plus a fixed margin on the oustanding loan.

The Bank/Group considers the criteria below for the analysis of credit agreements from the perspective of the SPPI test:

- Contractual payment terms cannot be considered "de minimis" or non-authentic;
- The lender's contractual rights when the client is in insolvency or default;
- Currency-denominated contracts;
- Options for early repayment or extension of maturity;
- Other contractual provisions to modify payments - contingent payments;
- Non-recourse contracts;
- Time value of money included in interest;
- Negative interest and tranche funding.

Financial assets designated at fair value through other comprehensive income

The category of financial assets measured at fair value through other comprehensive income includes: debt securities and equity instruments.

A financial asset is measured at fair value through other comprehensive income if both of the below criteria are met:

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

Financial assets designed at fair value through profit and loss

Category of financial assets designed at fair value through profit or loss includes: loans and advances that have not meet the SPPI test criteria (including placements with credit institutions and loans to customers; not applicable as at 31 December 2018), debt securities and equity instruments held for trading, and financial derivative instruments. As at 31 December 2018, there are no financial assets classified as loans and advances that have not passed the SPPI test.

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

Repurchase agreements Financial Assets and Reverse repurchase agreements (REPO and Reverse REPO)

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

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

Classification of financial liabilities

The Bank classifies all financial liabilities as subsequently measured at Amortised cost, except for:

- financial liabilities measured at fair value through profit or loss (derivatives);
- financial liabilities that occur when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuous commitment approach;
- financial guarantee contracts. After initial recognition, the bank subsequently evaluates them at the highest of:
  - the loss provision amount and
  - the amount initially recognized less, where applicable, the cumulative amount of income recognized in accordance with IFRS 15.
- commitments to provide a loan at an interest rate below market value.

(iv) Reclassification of financial assets

The policy applicable before 1st of January 2018

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

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

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

The reclassification is decided by management and is determined based on each reclassified instrument.

Policy applicable from 1st of January 2018

The Bank/Group reclassifies the affected financial assets if and only if they change the business model for managing the financial assets. The Bank/Group does not reclassify the financial liabilities.

The Bank applies reclassification prospectively. The Bank/Group does not restate previously recognized gains, losses (including impairment losses) or interest.

If the Bank/Group reclassifies a financial asset from outside the category of assets measured at Amortised cost to the category of assets measured at fair value through profit or loss, its fair value is measured at the date of reclassification. Any gain or loss that results from the difference between the previously Amortised cost of the financial asset and the fair value is recognized in profit or loss.

If the Bank/Group reclassifies a financial asset from outside the category of assets measured at fair value through profit or loss to the category of assets measured at Amortised cost, its fair value at the date of reclassification becomes its new gross carrying amount.

If the Bank/Group reclassifies a financial asset from outside the category of assets measured at Amortised cost to the category of assets measured at fair value through other comprehensive income, its fair value is measured at the date of reclassification. Gain or loss attributable to the difference between the previously Amortised cost of the financial asset and the fair value is recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of reclassification.

If the Bank/Group reclassifies a financial asset from outside the category of assets measured at fair value through other comprehensive income to the category of assets measured at Amortised cost, the financial asset is reclassified to its fair value at the date of reclassification. Gain or loss previously recognized in other comprehensive income is written-off from equity and adjusted against the fair value of the financial asset at the date of reclassification. Therefore, the financial asset is measured at the date of reclassification as if it had always been measured at Amortised cost. This adjustment affects other comprehensive income but does not affect profit or loss and is therefore not an reclassification adjustment. The effective interest rate and the measurement of the expected credit loss are not adjusted as a result of reclassification.

If the Bank/Group reclassifies a financial asset from outside the category of assets measured at fair value through profit or loss to the category of assets measured at fair value through other comprehensive income, the financial asset continues to be measured at fair value.

If the Bank/Group reclassifies a financial asset from outside the category of assets measured at fair value through other comprehensive income to the category of assets measured at fair value through profit or loss, the financial asset continues to be measured at fair value. Gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the date of reclassification.

During 2018, the Bank/Group did not reclassify any financial assets. At the time of transition to IFRS 9, the Bank reclassified a portfolio of securities in the amount of RON 501,041 thousand issued by the MPF from the category of available for sale financial instruments to the category of financial instruments measured at Amortised cost.

(v) Derecognition of financial assets and financial liabilities

The policy applicable before 1st of January 2018

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

(a) the Bank/Group has transferred substantially all the risks and rewards of the asset, or

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

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

In this case, the Bank/Group also recognizes an related liability. The transferred asset and the related liability are measured on a basis that reflects the rights and obligations that the Bank/Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank/Group could be required to pay.

A financial liability is derecognized when the obligation under the liability is discharged, when the current financial liability is replaced by another, in relation with the same lender, on substantially different terms, or the terms of an existing liability are substantially modified. Such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

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

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

- Are valuated as having little or no realistic chance of recovery or the recovery costs exceed the estimated recovery value;
- Do not meet the criteria of full derecognition as the legal recovery chances have not been exhausted;
- They are fully impaired, according to the Bank internal policies.

Policy applicable from 1st of January 2018

A financial asset (or, where applicable, part of the financial asset or part of a group of similar financial assets) is derecognized when:

- the contractual rights to collect cash flows from the financial asset have expired; or
- it transfers the financial asset under the conditions below:
  - transfers the contractual rights to collect cash flows from the financial asset, or
  - retains the contractual rights to receive cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the three following conditions:
    - The Bank/Group has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the orriginal asset. Short-term advances by the Bank with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.
    - The Bank/Group is prohibited by the terms of the transfer agreement from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows..
    - The Bank/Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

When the Bank/Group transfers a financial asset under the conditions set out above, it assesses the extent to which it maintains the risks and rewards of ownership of the financial asset, as follows:

- If the majority of the risks and rewards of ownership of the financial asset are transferred, the financial asset is derecognized and any rights and obligations created or retained in the transfer are recognized separately as assets or liabilities.
- If the majority of the risks and rewards of ownership of the financial asset are retained, the financial asset continues to be recognized.
- If the majority of the risks and rewards of ownership of the financial asset are neither transferred nor retained, it will determine whether the control over the financial asset was retained as follows:
  - if no control has been retained, the financial asset is derecognized and any rights and obligations created or retained in the transfer are recognized separately as assets or liabilities.
  - if control has been retained, the Bank continues to recognize the financial asset to the extent of its continued involvement in the financial asset

When the Bank/Group has transferred its rights to collect cash flows from a financial asset or has entered into a brokering commitment and it has neither transferred nor retained all the risks and rewards of the asset, nor transferred the control of the asset, the asset is recognized to the extent of the Bank/Group continues involvement. In that case, the Bank/Group also recognizes a related liability. The transferred financial asset and the related liability are measured on a basis that reflects the rights and obligations the Bank has retained. Continues involvement in the form of guaranteeing the transferred asset is measured at the lowest of the asset's carrying amount and the maximum amount that the Bank could be required to repay.

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

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

Financial liabilities are derecognized when and only when they are extinguished, namely when the obligation specified in the contract is discharged/liquidated, cancelled or expires.

The financial asset or part of the financial asset, in the nature of loans and advances to customers, for which there are no reasonable expectations of recovery, is written-off in the category of contingent assets by direct reduction of gross value in line with impairment allowance previously established. This operation is carried out as there is no reasonable expectation that the aforementioned asset will generate future economic benefits for the Bank so that the definition of the asset in the overall IFRS framework is no longer met.

The Bank directly reduces the gross carrying amount of a financial asset by writing-off the part of the financial asset for which there is no realistic prospect of recovery. The Bank may write-of the financial asset either partially or in full.

Starting from 1st of January 2018, under IFRS 9 (paragraph 5.4.4.), write-off constitutes a derecognition event.

(vi) Restructured loans (forborne)

The policy applicable before 1st of January 2018

In accordance with the UE 575/2013 regulation, the restructured exposures are those loans for which restructuring measures have been taken which consists of concessions granted to a debtor which is facing or is about to face difficulties in meeting its financial commitments.

A concession might appear in the following set of conditions:

- The modification of the previous terms and conditions of a contract the debtor in unable to comply with due to its financial difficulties, in order to allow for sufficient debt service ability, and which would not have been granted if the debtor not been in financial difficulties.
- A total or partial refinancing of a troubled debt contract, that would not have been granted had the debtor not been in financial difficulties.

A restructured loan stays classified as non-performing if at least one of the following conditions is fulfilled:

- Less than a year has passed since the last restructuring or since the end of the grace period after the last restructuring.
- The maximum number of days past-due per client in the last 12 months (at the end of the month) was equal or greater than 30.
- The number of days past-due per client is > 0 at the end of the 12 months passed from the restructuring date (end of month) or from the end of the grace period established after restructuring/ at the reporting date after the expiry of the 12 months from the date of restructuring or the end of the grace period.

Policy applicable from 1st of January 2018

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to the financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and the expected credit loss is measured as follows:

- If the expected restructuring does not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;
- If the expected restructuring results in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

In accordance with the UE 575/2013 regulation, the restructured exposures are those loans for which restructuring measures have been taken which consists of concessions granted to a debtor which is facing or is about to face difficulties in meeting its financial commitments.

A concession might appear in the following set of conditions:

- The modification of the previous terms and conditions of a contract the debtor in unable to comply with due to its financial difficulties, in order to allow for sufficient debt service ability, and which would not have been granted if the debtor not been in financial difficulties.
- A total or partial refinancing of a troubled debt contract, that would not have been granted had the debtor not been in financial difficulties.

From the performance point of view, the forborne exposures (loans) are classified as follows:

- non-performing restructured loans;
- performing restructured loans that are either in a probation period or out of the probation period;

If the restructuring measures apply to non-performing exposures or result in a diminished financial obligation, the loans fall in the category of non-performing restructured exposures.

A restructured loan stays classified as non-performing if at least one of the following conditions is fulfilled:

- Less than a year has passed since the last restructuring or since the end of the grace period after the last restructuring.
- The maximum number of days past-due per client in the last 12 months (at the end of the month) was equal or greater than 30.
- The number of days past-due per client is > 0 at the end of the 12 months passed from the restructuring date (end of month) or from the end of the grace period established after restructuring/ at the reporting date after the expiry of the 12 months from the date of restructuring or the end of the grace period.

Restructured loans are out of the category of non performing loans and fall in the category of performing loans under probation if the following criteria are cumulatively met:

- at least one year has passed since last restructuring was implemented or since the end of the grace period established after the last restructuring;
- the client does not meet the other conditions to be classified as non-performing;
- maximum number of days past-due in the last 12 months <30;
- the number of days past-due = 0 at the end of 12 months from the date of the restructuring or from the end of the grace period established after the restructuring/at the reporting date after the expiration of 12 months from the date of the restructuring or from the end of the grace period.

The exposure is no longer classified as forborne when all the criteria presented below are met:

- Minimum 2 year probation period has passed since date when the exposure was considerred to be performing;
- Significant payments of principal and interest have been regularly made on half period of probation;
- At the end of probation, the exposure is performing and the client has no outstanding amounts.

K. OFFSETTING AGREEMENTS

Financial assets and liabilities are offset and the net amount reported into the statement of financial position when, and only when, the Bank has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis, or realize 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.

L. FAIR VALUE MEASUREMENT

Fair value is the price that would be received from the sale of an asset or paid to settle a liability in a regular transaction between market participants at the measurement date, in the principal or, in its absence, the most advantageous market to which the Bank/Group has access at that date. The fair value of a liability reflects the risk of not settling the respective liability.

When sufficient data is available, the Bank/Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is considered active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank/Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The chosen valuation technique incorporates all factors that market participants would take into account in pricing a transaction.

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

M.IMPAIRMENT OF FINANCIAL ASSETS

The policy applicable before 1st of January 2018

(i) Financial assets held at amortised cost

The Bank/Group assesses as at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets are impaired and impairment losses are incurred if, and only if, the following criteria are met:

1) There is objective evidence of impairment as a result of one or more events occurred after the initial recognition of the asset (a 'loss event') and

2) That loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

It may be not possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no mather how likely, are not recognized.

Objective evidence that a financial asset or group of financial assets is impaired include information observable by the owner of the asset about the following loss triggering events:

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

Impairment of loans and advances from customers

For loans and credit commitments with objective evidence of impairment, impairment losses are individually assessed, while for loans and credit commitments without an objective evidence of impairment the impairment losses are collectively assessed. The Bank estimates the total value of incurred losses not yet identified.

The main objective impairment triggers considered by the Bank/Group are:

- More than 60 days past-due for principal or interest payments;
- The initiation of legal procedures;
- Restructuring procedures during the past 12 months, due to legal or economic difficulties of the debtor, which the Bank/Group would not have otherwise considered;
- D or E rating on an A to E, 5 grades scale;
- The management of the Group/ Bank considers that there may be other objective impairment triggers (information that indicate that the financial position of the debtor is deteriorating due to the decrease in sales volume or in gross profit margin, or due to any other events occurred after the initial recognition and which may affect the debtors' ability to meet the loan reimbursement schedule).

The value of impairment losses is measured as difference between the accounting value of assets and the present value of future cash flows resulted from the operational activity and collaterals, discounted using the effective interest rate of the financial asset.

The present value of future cashflows is determined based on management's assessment of the quality and financial performance of debtors, debt service history, recoverable amounts from guarantees and collaterals, the historical pattern of credit losses and credit ratings allocated to debtors and based on the economic environment in which debtors operate.

The amounts recoverable from guarantees and collaterals are considered in the value of the future cash flows at their fair estimated values, the final values depending on the economical conditions at the moment they were assess; any modification of these conditions might affect the estimation.

Individually assessed loans and advances to customers for which zero impairment losses have been determined are included into the collective assessment for incurred losses not yet identified.

In order to perform the collective impairment assessment, financial assets are grouped based on similar credit risk characteristics indicative of the debtor's ability to pay all due amounts according to contractual terms, the impairment allowances being collectively computed, using adjusting parameters for specific loan type and tenor, which are determined by using statistic historical methods, respectively the probability of default (PD) and the loss given default (LGD).

The Bank/Group applies professional judgment regarding the loan portfolio observable data which indicates a lower recoverability of future cash flows from voluntary reimbursements, before this decrease to be identified for a individual particular loan in portfolio.

The carrying amount of loans and advances is adjusted by impairment allowances, the allowance being recognized in the profit or loss account. If, during the following periods, the impairment decreases, the allowance for impairment previously recognized is reversed in the profit or loss account. In case of the financial assests for which there are no reasonable expectations of recovery and which do not meet the derecognition criteria, after recognising loss allowance for the gross value of exposure, the gross carrying amount is directly reduced with the related loss allowance recognised.

Any recovery from previously written-off assets is recognized in the profit or loss account, by decreasing the related amount of loss.

For the impairment of Eximasig's receivables and claims, the Group proceeds to the individual analysis of each receivable, considering the number of days pastdue against the contractual maturity and the debtor's quality, including its legal status, as well as the recoverable amount of collaterals and other data and information available at the time loss allowances are determined.

(i) Financial assets carried at cost

If there is an objective evidence that an impairment loss has incurred on an unquoted equity instrument that is not carried at fair value, the amount of the impairment loss is measured as difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The Bank tests for impairment the equity instruments measured at cost if their value exceeds 0.5% of the total assets of the Bank at the reporting date.

The impairment of investments in subsidiaries is measured as difference between the carrying amount of the asset and the present value of future cash flows discounted at the current market rate of return for similar financial assets and the allowance for impairment is charged in balance sheet through a impairment account in correspondence with an expense in the statement of profit or loss.

The impairment allowances of investment in subsidiaries is released in accordance with IAS 36 provisions, only if the assumptions used to determine the recoverable amount of the asset have changed since the moment the impairment recognising.

The increased carrying amount of investments in subsidiaries, resulted after the release of impairment allowances must not exceed the carrying amount which would have been determined if no impairment would have previously been booked.

(ii) Available for sale financial instruments

In case of available for sale financial instruments, The Bank/Group assesses if any objective impairment trigger is identified as at reporting date.

In case of equity instruments classified as "available for sale", the objective evidences include a significant or extensive decline in the investment fair value below its acquisition cost. If impairment triggers are identified, then the cumulative loss – measured as difference between aquisition cost and fair value, less allowances for impairement previously recognized in the profit and loss account – is reversed from other comprehensive income and recognized in profit and loss account. Allowance losses from equity instruments are not further reversed to profit and loss account.

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

(iii) Impaired and past due assets

The Bank classifies as impaired those assets for which an impairment allowance was recognised (either individually or collective assessment).

Loans and receivables without impairment triggers, collectively assessed, as well as loans and receivables with impairment triggers individually or collectively assessed as not impaired are classified as financial instruments not impaired.

Past due loans and advances include the entire exposure, not only the overdue amounts.

Policy applicable from 1st of January 2018

The Bank/Group has implemented IFRS 9 which replaces the "loss-incurred" model of IAS 39 with an "expected credit loss" model (ECL). Starting from 1st of January 2018, the Group uses a forward-looking approach for expected credit losses (ECL) with respect to the following categories of financial assets: loans and deposits measured at Amortised cost, debt securities measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts and trade receivables.

The Bank/Group recognizes loss allowances for ECL at each reporting date based on the following principles:

- the measurement of the impairment of financial assets is based on the recognition of the expected loss from credit risk;
- if, at the reporting date, the credit risk of the asset has significantly increased since the initial recognition, the allowance will be equal to the expected credit losses over the lifetime of the asset; otherwise, an adjustment will be calculated, which is equal to the expected credit loss over a time horizon equal to the minimum of the residual maturity of the exposure expressed in months and one year. For credit lines, ceilings and factoring agreements, adjustments will be calculated on a one-year horizon, irrespective of contractual maturity;
- expected credit losses over the life of the asset for all instruments whose credit risk has significantly increased since initial recognition are recognized by taking into account the relevant available information and the future expectations of the Bank/Group;
- in the case of credit commitments and financial guarantee contracts, the date of initial recognition for the purpose of impairment calculation is the date when the Bank registrates the irrevocable commitment;
- at each reporting date, the Bank/Group assesses whether the credit risk of a financial instrument has significantly increased from initial recognition; assessment can be made at both individual and collective level (by grouping financial instruments with similar features).

The amount of expected credit losses must reflect:

- analysis of a number of probability-weighted scenarios;
- time value of money;
- reasonable and justifiable information about past events, current conditions and expectations regarding future economic conditions.

For the impairment of Eximasig's receivables and subrogations, the Group proceeds to the individual analysis of each receivable, considering the number of days past due against the contractual maturity and the debtor's quality, including its legal status, as well as the recoverable amount of collaterals and other data and information available at the time loss allowances are determined.

Presentation of allowance for ECL in the statement of financial position

The policy applicable before 1st of January 2018

The adjustments for asset impairment are presented in financial statements as follows:

- Loans and receivables: in accordance with IAS 39, as deduction from the gross carrying amount of the assets.
- Loan commitments or financial guarantee commitments: as provision, in accordance with IAS 37.

Policy applicable from 1st of January 2018

Expected credit losses are presented in the financial statements as follows:

- Financial assets measured at Amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: as a provision;
- Debt instruments measured at fair value in other comprehensive income: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

N. PROVISIONS

Provisions are recognized in the statement of financial position when the Bank/Group has a present obligation (legal or constructive) as result of a past event, it is probable that an outflow of economic benefits will be required to settle the liability and the obligation can be reliably measured.

When the Bank/Group expects some or the whole amount of provision to be cashed, for example under an insurance contract, the cash in is recognized as a separate asset, but only when the release is virtually certain.

The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

O. CASH AND CASH EQUIVALENTS

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

P. PROPERTY, PLANT AND OTHER EQUIPMENTS

Property and equipment represent assets that:

- generate future economic benefits;
- are meant to be used during the normal course of business by the Bank;
- are used over a period longer that 1 year;
- have an aquisition value higher or equal to RON 2,500, either as a separate item or as part of an aggregate of more components of the same item of property and equipment.

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

Property and equipment includes:

a Land and land improvements;

b) Constructions;

c) Office improvements;

d) Technical equipment and means of transportation;

e) Furniture, office equipment, protective equipment for human and material assets, and other tangible assets.

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

After the recognition of an asset, a tangible asset measured at cost is subsequently measured at cost less any accumulated depreciation and/or any accumulated impairment losses. Until 30 June 2004, the cost has been determined by restating the historical cost in RON with the general price index for the period between acquisition date and reporting date.

After the initial recognition as an asset, an item of property classified as “Building” whose fair value can be reliably measured is carried at a revalued amount, representing its fair value at the date of revaluation less any accumulated depreciation and any accumulated impairment losses.

Revaluation surplus is included in equity and transferred directly in retained earnings when the asset is derecognized. Decreases in value are offset against any existing revaluation reserve for the respective asset. If such surplus does not exist or it is not sufficient for the decrease, the corresponding amount is recognized in the statement of profit or loss. The Bank re-valuates its “Buildings” portfolio every three years using professionally qualified valuators, members of ANEVAR body.

Depreciation of Property, Plant and Equipment is charged from the month following the date when the asset was put into operation until the full recovery of their cost, by using straight-line method.

Land is not depreciated. Leasehold improvements are depreciated using the straight-line method, over the shorter of the remaining lease term and their useful lives.

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

Category	Useful Life	Annual Depreciation Rate
Buildings	50 years	2%
Office equipment	3 - 6 years	16.67% - 33.33%
Furniture and fixtures	5 - 24 years	4.16% - 20%
Motor vehicles	5 years	20%

Expenses with repairs and maintenance are charged to operating expenses as incurred. Subsequent expenditure on property, plant and equipment is only recognized as an asset when the expenditure improves the condition of the asset beyond the originally assessed standard of performance.

When the carrying amount of a tangible asset is greater than the estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of property and equipment are determined by reference to their carrying amount and are included in the statement of profit or loss.

Q. INTANGIBLE ASSETS

Intangible assets owned by the Bank are assets acquired for own activities and include: computer software, licenses and other similar assets.

Intangible assets are initially recognized at cost. After the initial recognition, an intangible asset is recognized at its historical cost less any cumulated amortization and any cumulated impairment loss.

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

R. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

S. INVESTMENT PROPERTY

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

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

In order to transfer an investment property booked at fair value in the Bank's property and equipment, the presumed cost of the property used for its subsequent measurement in accordance with IAS 16, is the fair value at the date of change of use.

If a property used by the Bank changes to an investment property measured at fair value, the Bank applies IAS 16 until the change of use date, considering any difference at that date, between the carrying amount of the property and the fair value, as a revaluation performed in accordance with IAS 16.

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

A transfer to or from investment properties is made only if there is a change in utilization of the respective asset. For transferring an investment property, measured at fair value, to fixed assets category, the implied booking value of the assets will be its fair value at the date of utilization change.

An investment property is derecognized when disposed off or when the investment property is permanently retired of and can no longer provide future economic benefits from its withdrawal. The gains or losses which results from investment propery sale or disposal are recognized to the income statement at the date of such event.

T. EMPLOYEE BENEFITS

Short term benefits granted to employees

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

The Bank's remuneration policy also includees variable remuneration of the type non-cash as virtual shares for the identified personnel. The value of the virtual shares is calculated depending on the bank's equity. The virtual shares can be bought back during a period of 36 months.

Short term benefits given to employees are recognized as expenses when incurred.

Social security

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

Long term benefits include bonuses and profit participations which are not payable in full within twelve months from the delivery of services.

For services supplied by the employees during an accounting period, the Bank recognizes the undiscounted value of short/long term benefits to be paid as expenses, respectively as expenses booked in advance, only if the already paid value exceeds the undiscounted value of the benefits. The short/long term benefits are recognized as expenses excluding the cases in which these are capitalized in the cost of assets according to IAS 2 or IAS16. The Bank recognizes the estimated cost of the short term benefits represented by cumulated paid leave during the financial period in which the services are provided.

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

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

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

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

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

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

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

a) The fund for guarantee operations - article 10a of Law 96/2000

b) The fund for the insurance - reinsurance activity - article 10b of Law 96/2000

c) The fund for financing activity - article 10c of Law 96/2000

which are used for fulfilling commitments assumed by EXIMBANK S.A. – on behalf of and to the benefit of the State (article 12, paragraph 1 of Law 96/2000).

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

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

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

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

V. FINANCIAL GUARANTEES

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

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

The Bank/Group has not granted loan commitments at fair value through profit/loss account. For other loan commitments, starting with the 1st of January 2018, the Bank/Group recognise an adjustment for expected losses in accordance with IFRS 9 (before 1st of January 2018, the Group/Bank recognised an expected provision according to IAS 37).

The debts that would result from the financial guarantees or loan commitments are included in the provisioning.

W. INCOME TAX

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

Deferred tax is determined, using the balance sheet method, for all temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax liability is recognized for all temporary differences between carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, which will determine taxable amounts in future periods.

Deferred tax assets are recognized for all differences between carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, for all unused tax losses and unused tax credits, to the extent that it is probable that future taxable profits will be available against which they can be used.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.

The tax rate used to calculate the current and deferred tax at 31 December 2018 was 16% (31 December 2017: 16%).

X. CONTINGENT ASSETS AND LIABILITIES

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, that are not wholly within th control of the Bank/Group; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - the amount of obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the financial statements, but are disclosed.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. A contingent asset is not recognised in the financial statements but is disclosed in the explanatory notes when an inflow of economic benefits is probable.

Y. RELATED PARTY

A counterparty is considered to be a related party to the Group or Bank if that counterparty:

a) Directly or indirectly through one or more intermediaries:

- Controls, is controlled or is jointly controlled by the Group or Bank (including parent companies and subsidiaries);
- Has an interest in the Group or Bank, which gives a significant influence over the Bank or
- Jointly controls the Group or Bank;

b) Is an associate of the Group or Bank;

c) Is a joint venture in which the Group or Bank is a member;

d) Is a key management personnel of the Group or Bank;

e) Is a relative of any of the persons mentioned at points a) to d);

f) Is an entity controlled, under joint control or significant influence, or has significant voting rights, directly or indirectly by any person mentioned at points d) or e) or

g) Is a post-employment defined benefit plan for the benefit of the Bank's employees, or for any entity which is a related party of the Bank.

The Ministry of Public Finance is a related party of the Group/Bank, also all entities in which the Ministry of Public Finance is the main shareholder are considered related parties.

Related parties transactions represent a transfer of resources or obligations between related parties, regardless of whether a price is charged. In considering the transactions with related parties, attention is given to both the substance and the legal form of respective transactions.

Z. EQUITY RESERVES

The equity reserves registered into the Bank's/Group's statement of financial position include:

- Financial assets designated at fair value through other comprehensive income reserve which comprises in changes in fair value of these instruments, net of deferred tax.
- Property, plant and equipment reserve including changes in the fair value, net of deferred tax.
- Reserve from share capital restatement includes the difference resulted from the adjustment of share capital to inflation.

- Legal reserve - is determined as up to 5% of profit before tax.
- General reserve for banking risks - includes reserves set up until the end of 2006, in limits provided by law.
- Other reserves represent own funding sources from asset and tax facilities, set up according to the law provisions or from the net profit, as decided by the general shareholders meeting.

AA. SEGMENT INFORMATION

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

BB. LEASING CONTRACTS

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

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

When an operating lease is terminated before contractual maturity, any penalty payment required to be made to the lessor is recognised as an expense in the period in which termination takes place.

CC. DEPOSITS (FROM CLIENTS, CREDIT INSTITUTIONS), BORROWINGS

Deposits received (from clients, credit institutions) and borrowings are initially recognised at fair value and subsequently measured at amortised cost; any difference between the costs, including the costs of transaction, and the recovery value are recognised in the profit or loss account during the period, by using the effective interest method.

The financial sources are mainly represented by the deposits received from clients and credit institutions.

DD. INSURANCE PREMIUM INCOME

Gross written premium income include the received and receivable premiums related to all insurance contracts that enter into force during the financial year. Gross written premium include the received and receivable premiums related to those insurance contracts for which the related risk begin during the financial year. If the duration of the insurance contract is greater than one year, gross written premium income is recognised on a pro-rata basis over the period of the insurance policy, excepting contracts having single premium payment for the whole insurance policy. For insurance contracts in foreign currencies, gross written premiums are presented in lei at the historical exchange rate as at subscription date.

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

EE. OTHER CLAIMS

Companys' receivables from third parties other than staff – customers and suppliers – are booked in sundry debtors. By taking into consideration the nature of the insurance operations, the subsidiary register into its accounting books receivables from damage claims with recourse rights.

Thus, subsequent to the payment of compensations in accordance with the insurance contract terms, the Bank/Group recognises the receivables from recourse rights against the responsible party for the insured incident/risk.

FF. REINSURANCE

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

Group entitled benefits arising from reinsurance contracts are recognised as reinsurance assets. The Group discloses in its assets the ceded into reinsurance part of premium reserve and claim reserve.

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

Reinsurance receivables and payables against the same entity could be set-off, since the payments effected by the involved parties are similar in nature and maturity date, the settlement taking place in the same time.

Receivables and payables from current reinsurance operations result from current account settlements with reinsurers and brokers, related to ceded in reinsurance.

Ceded in reinsurance receivables are periodically reviewed, at least at each reporting date. In case of impairment triggers identified, are analysed on individual basis. The impairment adjustments of such receivables are measured based on the loss probability and are charged in the profit and loss account.

GG. TECHNICAL RESERVES

Premium reserve

Premium reserve is calculated on a monthly basis by summing-up the shares in the gross written premiums, corresponding to the unexpired periods of the insurance contract, as such as the difference between the volume of gross written premiums and this reserve reflects the gross premiums assigned to the part of the expired risks at the calculation date. This reserve is calculated separately for every insurance contract.

Registered claim reserve

Registered claim reserve is calculated for registered claims and pending settlement for every insurance contract for which an insured event has been notified, starting from the predictable expenses to be incurred in the future to settle this claims. The total amount of the registered claims reserve to be established is determined by summing up the amounts of the reserve calculated for every insurance contract.

The components of registered claim reserve are, as follows:

- The estimated amount of compensations due for the registered claim;
- Costs relating to the ascertainment and assessment of damages, relating to the services rendered by third parties;
- Damage settlement costs, relating to the services rendered by third parties.

Incurred but not reported claim reserve (IBNR)

IBNR claim reserve is created and adjusted at least at the end of the financial year, based on the company's estimates, as to the claims amount for events occurred, not reported or not enough documented. For IBNR reserve estimation, mainly the following methods, but not limited to, are used, depending on the insurance class: Chain-Ladder, development tables, Bornhuetter – Ferguson.

Unexpired risk reserve

The unexpired risk reserve is computed based on the estimation of claims to occur after financial year closing date, where it is ascertained that the costs relating to claims estimated in the future exceed the premium reserves established less the procurement costs deferred and, as a consequence, during the future periods the amount of the premium reserve calculated less the deferred procurement costs shall not suffice to cover the claims to arise over the following financial years.

Liability adequacy test

The subsidiary performs the technical reserves adequacy test in order to assess if the insurance contract liabilities recognised into the technical reserves are sufficient. The test makes use of the estimation of present value of the best estimate of the future expected contractual cash flows. If this test proves that the accounting value of the insurance liabilities less deferred acquisition costs are not adequate, the whole amount of difference is recognised as charge in the profit and loss account. The test of technical reserves adequacy is carried out at least on an annual basis, as at closing date of financial exercise, based on gross cash flows.

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

i. premium reserve less deferred acquisition costs;

ii. the summing-up of estimated claims (including legal costs) and the administration costs.

If the value at point i) is lower than the one at point ii) then the level of reserves is considerred not to be satisfactory and it triggers a corresponding decrease in the balance of the deferred acquisition costs; if the balance of deferred acquisition costs is not sufficient, an additional reserve should be booked.

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

- Future claims (including legal costs) are estimated based on the annual final claim rate, per each underwriting year and per each insurance class; by taking into account the fact that most of the unexpired risks came from the last underwriting year/years; the administration expenses are estimated based on the average of the relevant expenses incurred for the whole insurance portfolio (less the acquisition costs included into deferred acqusition expenses);
- Recovery rate from claims is computed by dividing total proceeds from claims per each insurance class on the final amount necessary for claims payment in each period (ultimate incurred claims).

The liabilities adequacy test as at December 31, 2018 revealed a total deficiency amounting RON 1,610 thousand (December 31st, 2017: RON 1265 thousand).

HH. CORRECTION OF ACCOUNTING ERRORS

Correction of an accounting error is performed at the date when the error is identified, with the following remarks:

- The errors belonging to the current financial year are corrected, before the financial statements are authorised for issuing, by reversing the incorrect transaction and posting the appropriate one;
- The errors belonging to the prior financial year are corrected according to their materiality level either by posting them to retained earning in case of significant errors ot to profit and loss account, for the other cases;
- In case of accumulated loss resulted from correction of an error, this loss is coverred before profits are distributed;

- Correction of the prior year errors does not involve a modification of prior year financial statements and hence they remain unchanged as they have been published;
- In case of error correction posted to retained earnings, the Bank/Group takes the following actions:
- Makes the restatement of the prior period(s) comparatives when such an error has occurred;
- If the error has occurred before the prior periods disclosed in the financial statements, then the opening balances of the earliest prior period are fully restated for all assets, liabilities and shareholders' equity accounts.

II. SUBSEQUENT EVENTS

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

JJ. THE IMPACT OF TRANSITION TO IFRS 9, RESPECTIVE IFRS 15

jj.1. IFRS 9 – Financial instruments

Starting from 1 January 2018, the Bank applies the International Financial Reporting Standard IFRS 9 "Financial Instruments", impacting both the classification and measurement of financial instruments and the measurement of credit risk adjustments by recognizing the expected losses.

The implementation of the new methodology in determining credit risk adjustments (expected credit losses under IFRS 9 vs. incurred losses under IAS 39) has determined a decrease in retained earnings by RON 31,368 thousand, as detailed below:

- adjustments for additional expected credit losses in relation to exposures to credit institutions and the Central Bank in the amount of RON 424 thousand;
- adjustments for additional expected credit losses in relation to loan exposures in the amount of RON 31,301 thousand;
- adjustments for additional expected credit losses in relation to sundry debtors in the amount of RON 1,254 thousand;
- adjustments for additional expected credit losses in relation to fixed income securities classified at amortised cost in the amount of RON 106 thousand;
- adjustments for expected credit losses in relation to letters of guarantees and commitments increase by the amount of RON 3,982 thousand as a result of the implementation of IFRS 9;
- expected credit losses in relation to fixed income securities measured at fair value through other comprehensive income determine reclassification of the amount of RON 276 thousand from revaluation reserves to retained earnings;
- deferred tax receivable in the amount of RON 5,974 thousand related to the adjustments mentioned above.

Classification and measurement of financial instruments - initial balances under IFRS 9

Under IFRS 9, the Bank classifies the financial assets either at amortised cost or at fair value through other comprehensive income or at fair value through profit or loss, based on the following criteria:

- the business model used for the management of the financial assets and
- the characteristics of the contractual cash flows of the financial asset.

The Bank's financial liabilities were classified in the category of instruments measured at amortised cost, without differences compared to IAS 39.

The table below presents the changes in the measurement categories and the carrying amounts of financial assets and liabilities under the two standards - IAS 39 and IFRS 9 - as at 1st of January 2018.

The table below presents the changes in the measurement categories and the carrying amounts of financial assets and liabilities under the two standards - IAS 39 and IFRS 9 - as at 1st of January 2018.

BALANCE SHEET CAPTION	CLASSIFICATION UNDER IAS 39	CLASSIFICATION UNDER IFRS 9	GROUP		BANK	
			CARRYING AMOUNT UNDER IAS 39	CARRYINGAMOUNT UNDER IFRS 9	CARRYING AMOUNT UNDER IAS 39	CARRYINGAMOUNT UNDER IFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost	424	424	405	405
Accounts with the National Bank of Romania	Loans and receivables	Amortised cost	206,689	206,634	206,689	206,634
Due from banks	Loans and receivables	Amortised cost	203,634	203,265	177,027	176,658
Derivative financial instruments	Held for trading	FVTPL	1,627	1,627	1,627	1,627
Trading financial instruments	Held for trading	FVTPL	73,909	73,909	73,909	73,909
Available for sale financial instruments	Available for sale	FVOCI	2,153,458	1,653,596	2,153,458	1,653,596
		Amortised cost	-	522,362	-	522,362
Held to maturity financial instruments	Held to maturity	Amortised cost	40,501	40,501	-	-
Loans	Loans and receivables	Amortised cost	2,823,682	2,792,381	2,823,682	2,792,381
Investments in subsidiaries	Equity investments carried at cost	Equity investments carried at cost	-	-	44,123	44,123
Other financial assets	Loans and receivables	Amortised cost	69,011	67,757	6,924	5,670
TOTAL FINANCIAL ASSETS			**5,572,935**	**5,562,456**	**5,487,844**	**5,477,365**
Derivative financial instruments	Held for trading	FVTPL	3,008	3,008	3,008	3,008
Due to banks	Financial liabilities	Amortised cost	517,461	517,461	517,461	517,461
Deposits from Public Ministry of Finance	Financial liabilities	Amortised cost	1,647,841	1,647,841	1,647,841	1,647,841
Due to customers	Financial liabilities	Amortised cost	2,304,377	2,304,377	2,305,044	2,305,044
Other financial liabilities	Financial liabilities	Amortised cost	107,825	107,825	20,790	20,790
TOTAL FINANCIAL LIABILITIES			**4,580,512**	**4,580,512**	**4,494,144**	**4,494,144**

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

(1) The implementation of IFRS 9 has led to the classification of a portfolio of fixed income securities in the amount of RON 501,041 thousand from the category of available-for-sale securities (IAS 39, at fair value) to the category of securities recognized at amortised cost. The difference between the carrying amounts under two standards has positively affected the Bank's equity by the amount of RON 17,998 thousand, the net amount of deferred tax.

In accordance with IFRS 9, the Bank proceeded to the fair value measurement of the equity instruments held (companies: Transfond, SWIFT) with a positive impact on reserves of RON 990 thousand, after deduction of deferred tax.

(2) With respect to loans to customers, the measurement differences between IFRS 9 and IAS 39 are as follows:

	ECL BALANCE UNDER IFRS9				IMPACT IFRS9 VS IAS39
	Stage 1	Stage 2	Stage 3	TOTAL	TOTAL
Current portfolio	-53.320	-11.020	-2.287	**-66.627**	**-28.428**
Overdue loas	-81	-	-87	**-168**	**-129**
Impaired loans	-	-	-79.734	**-79.734**	**-2.744**
TOTAL	**-53.401**	**-11.020**	**-82.108**	**-146.529**	**-31.301**

At the same time, the implementation of IFRS 9 has led to the reallocation of a portfolio of RON 38,472 thousand from the category of unimpaired loans to the category of impaired loans (Stage 3) as follows:

IAS39/IFRS9	STAGE 1	STAGE 2	STAGE 3	TOTAL
Current unimpaired loans	2,503,155	158,205	35,309	2,696,669
Overdue unimpaired loans	15,944	-	3,163	19,107
Impaired loans	-	-	223,134	223,134
GROSS LOAN - TOTAL	**2,519,099**	**158,205**	**261,606**	**2,938,910**

Summary of the impact of IFRS 9 implementation

The impact of the adoption of IFRS 9 on 1st of January 2018 is a decrease in the Bank's equity by RON 12,103 thousand as follows:

- Increase in reserves for investments in financial instruments measured at fair value through other comprehensive income by RON 19,265 thousand;
- Decrease in the retained earnings by RON 31,368 thousand, coming from additional expected credit losses being recorded.

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

Category of financial assets	31-Dec-17 Group (IAS39)	31-Dec-17 Bank (IAS39)	Restatement under IFRS 9			01-Jan-18 Grup (IFRS9)	01-Jan-18 Banca (IFRS9)
			Reclassification	Remeasurement	Total		
Cash and cash equivalents	424	405	-	-	-	424	405
Accounts with the National Bank Romania	206,689	206,689	-	-55	-55	206,634	206,634
Receivables from credit institutions	203,634	177,027	-	-369	-369	203,265	176,658
Derivative financial instruments	1,627	1,627	-	-	-	1,627	1,627
Gross loan	2,938,910	2,938,910	-	-	-	2,938,910	2,938,910
Loss allowance	-115,228	-115,228	-	-31,301	-31,301	-146,529	-146,529
Loans and advances to customers, net	2,823,682	2,823,682	-	-31,301	-31,301	2,792,381	2,792,381
Investments in subsidiaries	-	44,123	-	-	-	-	44,123
Trading financial innstruments	73,909	73,909	-	-	-	73,909	73,909
Financial assets at amotized cost	40,501	-	501,041	21,321	522,362	562,863	522,362
Financial assets at FVOCI	2,153,458	2,153,458	-501,041	1,179	-499,862	1,653,596	1,653,596
Property, plant and equipment, net	12,752	12,596	-	-	-	12,752	12,596
Intangible assets, net	5,230	5,205	-	-	-	5,230	5,205
Investment property, net	39,724	39,724	-	-	-	39,724	39,724
Other assets	73,649	12,936	-	-1,254	-1,254	72,395	11,682
Defferred tax asset	3,210	3,210	-	2,358	2,358	5,568	5,568
Total assets	**5,638,489**	**5,554,591**	**-**	**-8,121**	**-8,121**	**5,630,368**	**5,546,470**
LIABILITIES AND EQUITY							
Derivative financial instruments	3,008	3,008	-	-	-	3,008	3,008
Due to banks	517,461	517,461	-	-	-	517,461	517,461
Deposits from Public Ministry of Finance	1,647,841	1,647,841	-	-	-	1,647,841	1,647,841
Due to customers	2,304,377	2,305,044	-	-	-	2,304,377	2,305,044
Deferred income and accrued expeses	14,626	14,620	-	-	-	14,626	14,620
Provisions	20,552	16,104	-	3,982	3,982	24,534	20,086
Other	107,825	20,790	-	-	-	107,825	20,790
Total liabilities	**4,615,690**	**4,524,868**	**-**	**3,982**	**3,982**	**4,619,672**	**4,528,850**
Share capital	1,701,474	1,701,474	-	-	-	1,701,474	1,701,474
Retained earnings, not distributed	6,426	13,994	-	-31,368	-31,368	-24,942	-17,374
Retained earnings under IAS 29	-900,714	-900,714	-	-	-	-900,714	-900,714
Reserves	226,422	226,282	-	-	-	226,422	226,282
Revaluation reserve	25,661	25,661	-	-	-	25,661	25,661
Investment reserve	-36,974	-36,974	-	19,265	19,265	-17,709	-17,709
Equity holders of the Parent company	**1,022,295**	**1,029,723**	**-**	**-12,103**	**-12,103**	**1,010,192**	**1,017,620**
Non – controlling interests	**504**	**-**	**-**	**-**	**-**	**504**	**-**
Total equity	**1,022,799**	**1,029,723**	**-**	**-12,103**	**-12,103**	**1,010,696**	**1,017,620**
Total liabilities and equity	**5,638,489**	**5,554,591**	**-**	**-8,121**	**-8,121**	**5,630,368**	**5,546,470**

Transition to IFRS9

The transition to IFRS 9 does not require a retrospective application for prior periods and the impact of implementation is reflected in the opening balance as at 1st of January 2018 of the retained earnings account. The Bank has decided not to restate comparative information for the previous period on classification and remeasurement. The differences between the balances of financial assets and liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings. Moreover, the comparative information presented in 2017 reflects the requirements of IAS 39. Financial assets and liabilities were measured based on the Bank's business model.

jj.2. IFRS 15 – Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognition of revenue from contracts with customers, replacing IAS 18, IAS 11 and relevant IFRIC.

The implementation of IFRS 15 as of 1st of January 2018 had no impact on the Bank's/Group's financial statements since fees and commission income was not affected.

03.
INTEREST INCOME

The interest income related to impaired loans, both at Group and Bank level, amounted RON 16,783 thousand in 2018, respectively RON 8,573 thousand in 2017.

	31-DEC-18 GROUP	31-DEC-18 BANK	31-DEC-17 GROUP	31-DEC-17 BANK
INTEREST INCOME RELATED TO:				
Loans to customers	133,957	135,077	80,043	80,473
Current accounts and deposits with banks	5,184	4,781	2,195	1,296
Negative interest on deposits taken	590	590	251	251
Reverse repurchase agreements	671	671	194	194
Available for sale financial assets	-	-	54,563	54,563
Held-to-maturity investments	-	-	306	-
Bonds and government securities at fair value through other comprehensive income	41,299	41,299	-	-
Bonds and government securities at amortised cost	19,378	18,758	-	-
	201,079	**201,176**	**137,552**	**136,777**

04.
INTEREST EXPENSE

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

	31-DEC-18 GROUP	31-DEC-18 BANK	31-DEC-17 GROUP	31-DEC-17 BANK
INTEREST EXPENSE RELATED TO:				
Deposits taken from MPF	37,120	37,120	14,324	14,324
Deposits taken from banks	6,163	6,166	4,006	4,003
Negative interest on deposits placed with banks	737	737	89	89
Customers deposits	47,526	47,526	11,846	11,852
	91,546	**91,549**	**30,265**	**30,268**

05.
RELEASE/(CHARGE) ON IMPAIRMENT OF FINANCIAL ASSETS COMMITMENTS AND GUARANTEES

**) The amount of 14,712 thousand lei represents purchased or originated credit-impaired loans recognised by the Bank based on the analysis on the recoverability of financial assets.*

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Release/(Charge) from loans allowances (see note 17)	47,045	47,045	-41,746	-41,746
Purchased or originated credit-impaired *)	14,712	14,712	-	-
Recoveries from loans written-off	24,363	24,363	9,910	9,910
Gain /(loss) from adjustments for impairment of sundry debtors (note 21)	920	206	-2,059	-231
Recoveries from sundry receivables previously written-off	1,365	1,365	2,002	2,002
Adjustments of expected losses – credit institutions	-10	-10	-	-
Adjustments of expected losses – securities at amortised cost and at fair value through other comprehensive income	-151	-151	-	-
Provisions for commitments and contigent liabilities (see note 26)	-5,806	-5,806	1,449	1,449
Allowances for the impairment of investments in subsidiaries (see note 18)	-	-9,997	-	-5,389
	82,438	**71,727**	**-30,444**	**-34,005**

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

06. NET TRADING INCOME

Gains/(Losses) from foreign exchange differences include the following:

- Gains or losses arising from foreign exchange spot transactions;
- The net result arising from the revaluation of all assets and liabilities denominated in foreign currencies.

Gains/(Losses) on derivative financial instruments include the following:

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

	31-DEC-18 GROUP	31-DEC-18 BANK	31-DEC-17 GROUP	31-DEC-17 BANK
GAIN/(LOSS) FROM FOREIGN EXCHANGE DIFFERENCES	**14,337**	**14,264**	**16,361**	**15,992**
Gain/(Loss) from interest rate derivatives	908	908	-324	-324
Gain,(Loss) from foreign exchange derivatives	4,525	4,525	-3,672	-3,672
Gain/(Loss) from trading of financial instruments				
designated at fair value through profit and loss	2,388	2,388	19	19
GAIN/(LOSS) FROM DERIVATIVE FINANCIAL INSTRUMENTS	**7,821**	**7,821**	**3,977**	**3,977**

07. NET GAIN FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

During the financial year of 2018, the Group/Bank did not have any records of ceding financial assets at fair value through other comprehensive income. By comparison, in 2017 the Group/Bank recorded a gain of 4,279 thousand lei from the ceding of financial instruments available for sale, mainly government securities and bonds denominated in RON and/or euro.

08. NET FEE AND COMMISSION INCOME

	31-DEC-18 GROUP	31-DEC-18 BANK	31-DEC-17 GROUP	31-DEC-17 BANK
COMMISSION INCOME				
Commissions income from transactions with clients	1,141	1,141	287	287
Commissions income from letter of guarantees	12,367	12,367	6,657	6,657
Commissions income from mandate operations, out of which:	25,983	25,983	14,429	14,429
Commision from Romanian state on mandate operations	11,136	11,136	4,297	4,297
Commissions income from intermediaries and beneficiaries of products offered on behalf of the State	14,847	14,847	10,132	10,132
Commissions income from import letters of credit	213	213	318	318
Commissions income from banking transactions	635	635	396	396
Other commissions income	5,182	5,182	4,592	4,592
	45,521	**45,521**	**26,679**	**26,679**
COMMISSION EXPENSE	**-6,699**	**-6,676**	**-2,552**	**-2,514**
NET FEE AND COMMISSION INCOME	**38,822**	**38,845**	**24,126**	**24,165**

Details regarding the computation of commission income from state funds mandate operations as well as details referring to the annual variation are presented below in Note 24.

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

09. NET INCOME FROM INSURANCE ACTIVITIES

(a) Income from gross written premiums include mainly premiums from insurance for loans and guarantees;

(b) Other technical expemnses, net of reinsurance, include mainly credit insurance claims paid.

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Gross written premium income, net of reinsurance (a), out of which:	7,491	-	4,944	-
Gross written premium	10,976	-	12,831	-
Premiums ceded to reinsurance	-3,485	-	-7,885	-
Technical reserves variation expenses, net of reinsurance	-1,330	-	4,058	-
Income from reinsurance commissions	484	-	1,523	-
Acquisition and other underwriting expenses	-1,996	-	-1,243	-
Other technical expenses, net of reinsurance (b), out of which:	-210	-	-172	-
Claims related to insurance contracts	-549	-	-18,329	-
Claims ceded to reinsurance*)	339	-	18,157	-
INCOME FROM INSURANCE, NET	**4,439**	**-**	**9,112**	**-**

10. OTHER INCOME

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Income from contractual penalties	792	792	1,320	1,320
Other income	359	257	395	222
Operational leasing income (rentals)	4,382	4,382	4,463	4,463
Dividends and similar income	581	581	483	483
	6,114	**6,012**	**6,661**	**6,488**

11. SALARIES AND ASSIMILATED EXPENSES

(i) During 2018 the employer's contribution with the social securities were transferred to the employees, which determined an increase in gross salary and a decrease in the employer's contributions which include the labour insurance contribution and the fund for disabled people.

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

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Salaries expenses and assimilated expenses	60,527	55,111	47,085	43,181
Provision releases, utilizations, charges	7,283	7,283	1,317	1,317
TOTAL SALARIES EXPENSES (I)	**67,810**	**62,394**	**48,402**	**44,498**
Payments related to collaborators (ii)	10,875	10,875	7,988	7,988
Provision releases, utilizations, charges	2,252	2,252	-1,258	-1,258
TOTAL COLLABORATORS EXPENSES	**13,127**	**13,127**	**6,730**	**6,730**
Layoff compensation payments	-	-	73	73
Provision releases, utilizations, charges	-	-	273	273
TOTAL LAYOFF EXPENSES	**-**	**-**	**346**	**346**
Employers' contribution related to salaries (i)	1,940	1,814	12,645	11,755
Retirement compensatory expenses	110	110	32	32
Provision releases, utilizations, charges	83	83	-21	-21
TOTAL RETIREMENT BENEFITS	**193**	**193**	**11**	**11**
Other salary related expenses	784	784	747	747
TOTAL SALARIES AND ASSIMILATED EXPENSES	**83,854**	**78,312**	**68,881**	**64,087**

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

12. OTHER OPERATING EXPENSES

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Taxes	1,059	904	1,073	1,004
Postal and telecommunication expenses	3,104	3,042	3,425	3,359
Maintenance expenses	5,872	5,641	5,092	4,919
Advertising, protocol and sponsorship expenses	2,573	2,472	3,224	3,172
Consumables	1,567	1442	1,223	1124
Water and energy	727	727	680	680
Rent expenses	5,584	5,584	5,081	5,081
Consulting services	3,316	3,040	1,325	1026
Other services provided by third parties	3,551	2,660	3,004	2,059
Security exspenses	648	648	629	629
Expenses on Deposits' Guarantee Fund	2,821	2,821	5,464	5,464
Other expenses	554	287	1,288	307
	31,376	**29,268**	**31,508**	**28,824**

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

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Statutory audit expenses	411	264	363	213
Non-audit service expenses	117	117	181	181
EXPENSES WITH STATUTARY AUDITOR	**528**	**381**	**544**	**394**

13. INCOME TAX

The main components of income tax are:

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Current income tax	20,734	20,734	1,740	1,740
Deferred income tax	926	926	3,855	3,855
	21,660	**21,660**	**5,595**	**5,595**

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

Reconciliation of tax expense to the accounting profit is presented in the right side:

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
PROFIT BEFORE TAX (A)	**142,561**	**135,131**	**26,835**	**20,404**
TAX RATE: 16%	**22,810**	**21,621**	**4,294**	**3,265**
Tax effect of non-taxable income	-11,940	-11,796	-4,237	-4,192
Tax effect of non-deductible expenses	15,734	15,663	4,065	4,547
Tax effect – reserves distributions	-1,083	-1,081	-163	-163
Tax effect of tax deductions / prudential filters	-3,498	-3,498	-1,510	-1,510
Impact of tax losses carried forward	-1,114	-	-502	-
TAX ON PROFIT BEFORE TAX CREDIT	**20,909**	**20,909**	**1,947**	**1,947**
Tax credit	-175	-175	-206	-206
CURRENT PROFIT TAX	**20,734**	**20,734**	**1,741**	**1,741**
Effect of origination and reversal of temporary differences	926	926	3,854	3,854
INCOME TAX RECOGNIZED IN PROFIT AND LOSS (B)	**21,660**	**21,660**	**5,595**	**5,595**
(+) = expense / (-) =income				
EFFECTIVE TAX RATE (B/A%)	**15,2%**	**16,0%**	**20,8%**	**27,4%**

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

Bank/Group*	Statement of financial position		Statement of profit or loss	
	2018	2017	2018	2017
DEFERRED TAX				
IFRS 9 transition	-	-	-5,975	-
Retirement benefits	198	184	14	-4
Other provision regarding employees	2,627	1,090	1,537	67
Loan provisions	2,952	1,291	1,661	-227
Impairment of investment in subsidiaries	-	-	-	-5,107
Prudential filters	-	-1,510	1,510	-1,510
Adjustments for expected losses for debtors and securities	327	-	327	-
	6,104	1,055	-926	-6,781
Transfer to current income tax	-	-	-	2,927
	6,104	1,055	-926	-3,854
DEFERRED THROUGH EQUITY				
Reevalution reserve	-4,889	-4,889	-	-
The reevaluation of financial instruments at fair value through other comprehensive income (2018) / available for sale (2017)	2,799	7,044	-	-
NET DEFERRED TAX	**4,014**	**3,210**	**-926**	**-3,854**

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

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

The Bank/Group computed deferred income tax using the statutory tax rate of 16% in 2018 and 2017, tax rate which is applicable since 1st of January 2005. The Bank/Group did not compute deferred income tax for the statutory reserves recognized in accordance with Romanian Banking and Company Laws considering the applicable tax framework.

14. ACCOUNTS WITH THE NATIONAL BANK OF ROMANIA

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Current accounts in RON	231,357	231,357	182,381	182,381
Current accounts in foreign currency	511,516	511,516	24,308	24,308
Adjustments for expected losses	-189	-189	-	-
TOTAL	**742,684**	**742,684**	**206,689**	**206,689**

Current accounts in RON at the National Bank of Romania represent the minimum mandatory reserve. The balance as at 31 December 2018 is higher than the one as at 31 December 2017 due to the higher average reservable liability balances during the applicable period, respectively 229,418 thousand lei on 24 December 2018 - 23 January 2019 and 169,268 thousand lei for 24 December 2017 - 23 January 2018. The exposures with NBR are allocated in stage 1 and for these the Bank calculated, in accordance with IFRS 9, adjustments for expected losses in total amount of 189 thousand lei at 31 December 2018.

For liabilities in foreign currency, minimum mandatory reserve kept in the accounts opened with National Bank of Romania, complies with the calculated average level of 24,544 thousand euro for period 24 December 2018 – 23 January 2019. For the period 24 December 2017 - 23 January 2018 the calculated level of minimum reserve requirements was 4,156 thousand euro. On the 31 December 2018, the Bank registered a total balance of 445,833 thousand lei in the euro account opened at NBR designed for settlements through the TARGET 2system, against 3,520 thousand lei at 31 December 2017.

The interest rate paid by National Bank of Romania in 2018 varied in a range between 0.09% and 0.23% for reserves held in RON (2017: between 0.08% and 0.10%), while for the reserves held in Euro the interest rate paid ranged between 0.02% (2017: between 0.02% and 0.05%).

As at 31 December 2018, the minimum reserve requirements were set at 8% for both local currency and balances denominated in USD or EUR (31 December 2017: 8% for RON and 8% for USD or EUR).

15. DUE FROM BANKS

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Repayable on demand and sight deposits	206,580	206,560	95,897	89,017
Term deposits	585,854	561,616	55,761	36,033
Collateral deposits	-	-	1,398	1,398
Reverse repo	-	-	50,578	50,578
Adjustments for expected losses	-249	-249	-	-
TOTAL	**792,185**	**767,927**	**203,634**	**177,027**

The exposures to the credit institutions are allocated in stage 1 and the Bank calculated at 31st of December 2018 adjustments for expected loss of 249 thousand lei, in accordance with IFRS 9 provisions.

Adjustments for expected losses for the exposures to financial institutions and NBR are in total amount of 438 thousand lei on 31 December 2018 (249 thousand lei exposures to financial institutions and 189 thousand lei for exposures to NBR).

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

Adjustments for expected losses – financial institutions, including NBR	Stage 1	Stage 2	Stage 3	Total
BALANCE ON 1 JANUARY 2018	**424**	**-**	**-**	**424**
Increase due to issuing or acquisition	438	-	-	**438**
Decrease due to derecognition	-424	-	-	**-424**
Change of the credit risk (net) – stage migration	-	-	-	**-**
Increase or decrease due to changes without derecognition (net)	-	-	-	**-**
Decrease of the adjustments account due to write-off	-	-	-	**-**
BALANCE ON 31 DECEMBER 2018	**438**	**-**	**-**	**438**

16. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank/Group has the following outstanding derivative transactions:

		Fair Value	
	Notional	**Assets**	**Liabilities**
2018: FINANCIAL DERIVATIVES	**703,019**	**4,495**	**756**
Forex Swap Instruments	536,302	2,653	161
Rating Moody's A1	49,437	263	-
Rating Moody's A2	61,711	79	50
Rating Moody's Baa1	231,773	1,823	89
Rating Moody's P1	93,278	378	-
Forex Forward Instruments (no rating)	100,103	109	22
Interest rate instruments (A2)	82,695	92	595
2017: FINANCIAL DERIVATIVES	**597,135**	**1,627**	**3,008**
Forex Swap Instruments	466,223	-	2,956
Rating Moody's A1	46,597	-	481
Rating Moody's A2	93,194	-	441
Rating Moody's Baa1	-	-	-
Rating Moody's P1	326,432	24	2,035
Forex Forward Instruments (no rating)	50,646	498	52
Interest rate instruments (A2)	80,266	1,105	-

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

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

17. LOANS AND ADVANCES TO CUSTOMERS

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Loans in RON - public authorities	456,230	456,230	460,988	460,988
Loans in RON – corporate clients	2,144,228	2,144,228	1,916,450	1,916,450
Loans in foreign currency- corporate clients	820,608	820,608	561,472	561,472
TOTAL EXPOSURE	**3,421,066**	**3,421,066**	**2,938,910**	**2,938,910**
Expected losses for loans in RON– public authorities	-90	-90	-156	-156
Expected losses for loans in RON – other legal	-76,043	-76,043	-95,465	-95,465
Expected losses for loans in foreign currency – other legal entities	-23,447	-23,447	-19,607	-19,607
Expected losses for impaired loans (stage 3 in 2018)	-55,272	-55,272	-76,990	-76,990
Expected losses stage 1 and 2 in 2018 (2017 – occurred but unidentified losses)	-44,308	-44,308	-38,238	-38,238
TOTAL EXPECTED LOSSES ADJUSTMENTS	**-99,580**	**-99,580**	**-115,228**	**-115,228**
TOTAL LOANS, NET	**3,321,486**	**3,321,486**	**2,823,682**	**2,823,682**

a) Movement in expected losses

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
ADJUSTMENTS FOR IMPAIRMENT, INITIAL BALANCE (IAS39)	**115,228**	**115,228**	**126,238**	**126,238**
IFRS 9 impact - opening balance	31,301	31,301	n,a,	n,a,
INITIAL BALANCE FOR EXPECTED LOSSES (IFRS9), OUT OF WHICH:	**146,529**	**146,529**	**N,A,**	**N,A,**
Adjustments for expected losses/impairment	150,942	150,942	126,883	126,883
Unrecognised interest for impaired credits	-4,413	-4,413	-645	-645
GAIN (+) /LOSS(-) FROM ALLOWANCES IN CURRENT PERIOD	**-47,045**	**-47,045**	**41,746**	**41,746**
Adjustments for expected losses/impairment	-45,862	-45,862	48,511	48,511
Unrecognised interest for impaired credits	-1,183	-1,183	-6,765	-6,765
Allowances cancellation for expected losses/impairement from write-off		-	-55.,144	-55.,144
Allowances cancellation for expected losses/impairement	-	-	-52.,165	-52.,165
Unrecognised interest for impaired credits	-	-	-2.,979	-2.,979
	96	96	2.,389	2.,389
Exchange rate differences	96	96	6.,157	6.,157
Allowances related to impaired loans	0	0	-3.,768	-3.,768
Unrecognised interest for impaired loans				
	99,580	99,580	115,228	115,228
ALLOWANCES FOR EXPECTED LOSSES, FINAL BALANCE:				
Unrecognised interest for impaired credits	-5,596	-5,596	-4,414	-4,414

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

	2018				2017		
Allowances for expected losses - loans	**Stage 1**	**Stage 2**	**Stage I 3**	**Total**	**Individual**	**Collectiv**	**Total**
BALANCE ON 1ST JANUARY (IAS 39)				**-115,228**			
Re-measurement IFRS 9				-31,301			
BALANCE ON 1ST JANUARY, ADJUSTED	**-53,401**	**-11,020**	**-82,108**	**-146,529**	**-90,166**	**-36,072**	**-126,238**
Increase due issuing or acquisition	-11,262	-3,893	-702	-15,857	-41,969	-2,166	-44,135
Decrease due to derecognition	7,745	3,077	3,728	14,550			
Change in credit risk (net) – stage migration	1,910	-396	-4,120	-2,606			
Increase or decrease due to changes other then derecognition (net)	20,459	2,473	27,930	50,862			
Decrease in allowances due to write-off	-	-	-	-	55,145	0	55,145
BALANCE ON 31ST DECEMBER 2018	**-34,549**	**-9,759**	**-55,272**	**-99,580**	**-76,990**	**-38,238**	**-115,228**

b) Analysis by industry

	31-Dec-18 Group	**31-Dec-18 Bank**	**31-Dec-17 Group**	**31-Dec-17 Bank**
PUBLIC AUTHORITIES	**457,234**	**457,234**	**460,988**	**460,988**
OTHER ECONOMIC SECTORS, OUT OF WHICH:	**2,963,832**	**2,477,923**	**2,477,923**	**2,477,923**
A. Agriculture, forestry and fishing	151,517	151,517	111,409	111,409
B. Mining industry	144,373	144,373	107,609	107,609
C. Manufacturing	1,199,020	1,199,020	1,117,996	1,117,996
D. Electricity, gas, steam and air conditioning supply	30,805	30,805	34,242	34,242
E. Water supply	104,642	104,642	66,632	66,632
F. Construction	81,434	81,434	28,991	28,991
G. Retail and wholesale trade	465,672	465,672	359,710	359,710
H. Transportation and storage	306,744	306,744	123,386	123,386
I. Accommodation and restaurants	17,467	17,467	17,109	17,109
J. Information and communication	22,896	22,896	27,299	27,299
K. Financial services	393,097	393,097	357,132	357,132
L. Real estate activities	3,569	3,569	646	646
M. Professional, scientific and technical activities	31,588	31,588	116,808	116,808
N. Administrative and support activities	9,576	9,576	7,537	7,537
P. Education	404	404	1,094	1,094
Q. Health and social work services	882	882	323	323
R. Other services	146	146	-	-
TOTAL PORTFOLIO	**3,421,066**	**3,421,066**	**2,938,911**	**2,938,911**

Out of the total loan portfolio, the Bank/Group is primarly financing the companies with Romanian residency, but also external factoring to other non resident import factors.

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

c) Analysis of loan portfolio quality, before impairment adjustments

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
TOTAL UNIMPAIRED LOANS (STAGE 1 AND 2)	**3,121,968**	**3,121,968**	**2,715,776**	**2,715,776**
Current	3,097,589	3,097,589	2,696,669	2,696,669
Overdue and unimpaired	24,379	24,379	19,107	19,107
TOTAL IMPAIRED LOANS (STAGE 3), OUT OF WHICH:	**299,098**	**299,098**	**223,134**	**223,134**
Overdue < 30 days	210,743	210,743	168,916	168,916
Overdue > 30 days	88,355	88,355	54,218	54,218
TOTAL PORTFOLIO, GROSS VALUE	**3,421,066**	**3,421,066**	**2,938,910**	**2,938,910**
	31-Dec-18 Group	**31-Dec-18 Bank**	**1-Ian-18 Group**	**1-Ian-18 Bank**
Stage 1	2,956,589	2,956,589	2,519,099	2,519,099
Stage 2	165,378	165,378	158,205	158,205
Stage 3	284,387	284,387	261,606	261,606
Impaired at origination loans (stage 3)	14,712	14,712	-	-
TOTAL PORTFOLIO, GROSS VALUE	**3,421,066**	**3,421,066**	**2,938,910**	**2,938,910**

Exposures from loans - stage migration

Transfers between stage 1 and 2		Transfers between stage 2 and 3	
Transfer from stage 2 to stage 1	10,460	Transfer from stage 3 to stage 2	3,721
Transfer from stage 1 to stage 2	90,466	Transfer from stage 2 to stage 3	69,861

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

The distribution of loan indirect exposures (loan commitments and letter of guarantees) by sector industries is presented into the table below:

	31-Dec-18 Loan commitments	31-Dec-18 Letters of Guarantee	31-Dec-17 Loan commitments	31-Dec-17 Letters of Guarantee
A. Agriculture. forestry and fishing	86,621	70,016	60,682	38,109
B. Mining industry	147,383	155,482	1	1,500
C. Manufacturing	270,426	211,425	142,048	136,962
D. Electricity and gas supply	2,125	130	319	-
E. Water supply	87,460	514	8,384	7,336
F. Construction	12,749	385,086	2,128	286,169
G. Retail and wholesale trade	148,524	75,683	37,567	51,305
H. Transportation and storage	43,956	1,055	92,477	3,740
I. Accommodation and restaurants	3,859	-	3,991	-
J. Information and communication	7,424	54,768	3,916	84,891
K. Financial intermediation	188,984	-	184,317	-
M. Professional. scientific and technical activities	88,784	33,382	141,194	72
N. Administrative and support activities	10,344	2,993	730	1,784
O. Local And Central Administrations	92,798	-	24,405	-
P. Education	31	-	-	-
Q. Services regarding health and social assistence	7,390	-	-	-
R. Art. entertainment and leisure actvities	-	746	-	712
S. Other services	2,661	25,076	200	-
TOTAL PORTFOLIU	**1,201,519**	**1,016,356**	**702,359**	**612,580**

18. INVESTMENTS

a) Investments in subsidiaries

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Investments in subsidiaries	-	80,763	-	61,353
Impairment adjustments	-	-47,307	-	-37,310
Subordinated loan convertible into shares	-	591	-	20,080
TOTAL	**-**	**34,047**	**-**	**44,123**
% interest owned*		98,55%		97,05%

**) The investment in the amount of RON 80,763 thousand represents 98.55% d of the share capital of Insurance-Reinsurance Exim Romania ("EximAsig"), following the conversion of 97.05% of the subordinated loan in the amount of RON 20,000 thousand (namely the amount of RON 19,409 thousand). Result of this increase, minority shareholders were granted the right of preemption for the subscription of an amount of RON 591 thousand corresponding to the minority holdings (2.95%). Based on the non-underwriting of the minority shareholding, in the first quarter of 2019, the Bank also converted its outstanding loan in the amount of RON 591 thousand, which strengthened the holding to 98.57%. As at 31 December 2018, the increase in share capital was not recorded with the Trade Registry where EximBank is registered with a holding of 97.05% of the share capital.*

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

The impairment test performed by the Bank as at 31 December 2018 and 31 December 2017, have revealed the existence of impairment triggers, the total amount of impairment in EximAsig subsidiary amounting RON 47,307 thousand at 31 December 2018, respective RON 37,310 thousand at 31 December 2017. As a result, the Bank recorded an impairment allowance in amount of RON 9,997 thousand in 2018 (2017: RON 5,389 thousand).

The Bank's participation in EximAsig was revalued using the income approach, which is based on the net present value of future cash flows estimated for a seven-year period. Projection of future cash flows was based on the data estimated by EximAsig subsidiary for the period 2019-2025. In order to estimate the final value the final year in projection was used, namely first year subsequent to the period used for forecast was considered to be representative for the companys' long term evolution (it was forecast a perpetuity with a perpetual rate of increase of 1.9% - value equal to the eur forecasted inflation rate). Future cash flows have been discounted with a cost of capital of 8.3%.

The valuation was based on a holding of 98.57%, considering the equivalent holding percentage that would result from the full conversion of the subordinated loan. During 2018, EximAsig decreased its share capital by RON 18,822 thousand in order to cover the losses carried forward, by reducing the nominal value of shares from RON 4 to RON 2 per share.

b) Investments designated at fair value through other comprehensive income (2018), financial instruments available for sale (2017)

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Debt instruments – municipality bonds and securities (cost)	1,651,621	1,651,621	2,155,736	2,155,736
Accrued interest	33,138	33,138	41,590	41,590
(Decrease)/increase in fair value of investments	-18,955	-18,955	-44,035	-44,035
TOTAL INVESTMENTS AT FAIR VALUE	**1,665,804**	**1,665,804**	**2,153,291**	**2,153,291**
OTHER INVESTMENTS AT COST	**1,451**	**1,451**	**167**	**167**
TOTAL*)	**1,667,255**	**1,667,255**	**2,153,458**	**2,153,458**

**) On 1st of January 2018 the Group/Bank has classified a portfolio of bonds with maturity on medium and long term in the catogory financial assets at amortised cost (see Note 2jj); on the 31st of December 2017 this portfolio was classified as financial assets available for sale.*

As at 31 December 2018 , the Bank/Group held in stage 1 the following categories of fixed income financial instruments:

a. Debt instruments of central government denominated in lei issued by the Ministry of Public Finance of Romania;

b. Debt instruments of central government denominated in foreign currency issued by Ministry of Public Finance of Romania;

c. Bonds issued by other credit institutions;

d. Bonds issued by the Bucharest Municipality.

Investments designated at fair value through other comprehensive income are measured based on market prices of listed securities (classified as level 1) or using alternative valuation techniques in the case of bonds issued by other credit institutions (classified as level 2). Holdings of shares are valuated at fair value through other comprehensive income according to IFRS 9 on the 31st of December 2018 (31. 12. 2017 these were cost valuated).

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

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

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
MPF Treasury Bills (Baa3*)	424,787	424,787	514,349	514,349
MPF Bonds (Baa3-)	1,028,594	1,028,594	1,428,543	1,428,543
Bucharest Municipality Bonds (Baa3)	202,737	202,737	159,787	159,787
UNICREDIT TIRIAC BANK S,A, Bonds (Fitch BBB)	-	-	40,877	40,877
Banque Internationale à Luxembourg Bonds (A2)	9,686	9,686	9,735	9,735
Transfond, Swift Shares (no rating)	1,451	1,451	167	167
Total	**1,667,255**	**1,667,255**	**2,153,458**	**2,153,458**

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

On 31 December 2018 The Bank/Group set up collaterals consisting of bonds with a nominal value of RON 3,000 thousand (31 December 2017: RON 3,000 thousand), in favor of the National Bank of Romania which acts as the administrator of the real time payments system ReGIS, in order to ensure the settlement operations run by the Bank/Group through electronic clearing multilateral interbank payments - SENT.

c) Investments at amortised cost (2018), financial instruments owned until maturity (2017)

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
MPF Bonds (Baa3 *)	544,212	505,365	39,655	-
Accrued interest	12,846	11,994	846	-
Adjustments for expected losses	-99	-99	-	-
Total)	**556,959**	**517,260**	**40,501**	**-**

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

**) On the 1st of January 2018 the Group/Bank classified a portfolio of bonds emitted by MPF, with medium and long term maturity in the category of financial assets at amortised cost (see Note 2jj); on the 31st of December 2017 this portfolio was classified as financial assets available for sale.

Financial instruments at amortised cost are allocated in stage 1 and for these the bank has calculated according to IRFS 9 adjustments for expected losses in total amount of 99 thousand lei on 31st of December 2018. On the 31st of December 2018 and 31st of December 2017 this portfolio of financial instruments consists of bonds issued in national currency by the Ministry of Public Finances.

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

Adjustments for expected losses – financial instruments at amortised cost	Stage 1	Stage 2	Stage 3	Total
BALANCE AT 1ST OF JANUARY 2018	**106**	**-**	**-**	**106**
Increase due to issue or addition	38	-	-	38
Decrease due to derecognition	-45	-	-	-45
Change in credit risk (net) – stage migration	-	-	-	-
Increase or decrease due to other than derecognition (net)	-	-	-	-
Decrease due to write-off	-	-	-	-
BALANCE AT 31ST OF DECEMBER 2018	**99**	**-**	**-**	**99**

d) Financial instruments at fair value through profit/loss account(2018)/held for transaction (2017)

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
MPF Bonds (Level 1) (Baa3)	68,620	68,620	73,909	73,909
TOTAL	**68,620**	**68,620**	**73,909**	**73,909**

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

As at 31 December 2018 and as at 31 December 2017 the portfolio of financial instruments held for trading of the Bank/Group consists of bonds issued by the Ministry of Public Finance of Romania in the local currency.

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

19.
PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Bank as at 31 December 2018	Land and buildings	improvements rented locations	Computer, equipment, furniture	Vehicles	Tangibles, in progress	Total Tangibles	Intangibles	Intangibles, in progress	Total Intangibles	Total
COST										
AS AT 1 JANUARY 2018	**5,651**	**1,193**	**27,636**	**4,187**	**215**	**38,882**	**29,269**	**2,548**	**31,817**	**70,699**
Additions	-	127	1,782	142	28	2,079	2,012	1,047	-	127
Revaluation *)	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-1,077	-77	-	-1,154	-82	-	-	-
Transfers between categories	-	-	77	119	-196	-	2,725	-2,725	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-
AS AT 31 DECEMBER 2018	**5,651**	**1,320**	**28,418**	**4,371**	**47**	**39,807**	**33,924**	**870**	**34,794**	**74,601**
ACCUMULATED DEPRECIATION										
AS AT 1 JANUARY 2018	**154**	**993**	**21,978**	**3,161**	**-**	**26,286**	**26,612**	**-**	**26,612**	**52,898**
Amortization for the year	142	163	3,190	685	-	4,180	2,268	-	2,268	6,448
Revaluation	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-1,063	-71	-	-1,134	-82	-	-82	-1,216
Transfers between categories	-	-	-	-	-	-	-	-	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-
AS AT 31 DECEMBER 2018	**296**	**1,156**	**24,105**	**3,775**	**-**	**29,332**	**28,798**	**-**	**28,798**	**58,130**
CARRYING VALUE AS AT 31 DECEMBER 2018	**5,355**	**164**	**4,313**	**596**	**47**	**10,475**	**5,126**	**870**	**5,996**	**16,471**
CARRYING VALUE AS AT 1 JANUARY 2018	**5,497**	**200**	**5,658**	**1,026**	**215**	**12,596**	**2,657**	**2,548**	**5,205**	**17,801**

**) The last valuation of buildings was performed in 2016 by expert valuators, ANEVAR members (The National Association of Romanian Appraisors). The estimation of market values was determined following the principles and evaluation techniques presented in International Valuation Standards (IVS) - edition 2013. The gross book value of fully depreciated tangible assets, still in use as at 31 December 2017 amounts to RON 21,674 thousand and the gross book value of fully amortised intangible assets, still in use amounts to RON 26,457 thousand.*

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

Bank as at 31 December 2017	Land and buildings	Improvements rented locations	Computer, equipment, furniture	Vehicles	Tangibles, in progress	Total Tangibles	Intangibles	Intangibles, in progress	Total Intangibles	Total
COST										
AS AT 1 JANUARY 2017	**5,651**	**1,285**	**26,045**	**4,128**	**37**	**37,146**	**27,848**	**1,919**	**29,767**	**66,913**
Additions	-	49	1,920	59	197	2,225	1,087	1,063	2,150	4,375
Revaluation *)	-	-	-	-	-	-	-	-	-	-
Disposals	-	-141	-348	-	-	-489	(100)	-	-100	-589
Transfers between categories	-	-	19	-	-19	-	434	(434)	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-
AS AT 31 DECEMBER 2017	**5,651**	**1,193**	**27,636**	**4,187**	**215**	**38,882**	**29,269**	**2,548**	**31,817**	**70,699**
ACCUMULATED DEPRECIATION										
AS AT 1 JANUARY 2017	**12**	**897**	**19,660**	**2,497**	**-**	**23,066**	**23,827**	**-**	**23,827**	**46,893**
Amortization for the year	142	237	2,663	664	-	3,706	2,885	-	2,885	6,591
Revaluation	-	-	-	-	-	-	-	-	-	-
Disposals	-	-141	-345	-	-	-486	-100	-	-100	-586
Transfers between categories	-	-	-	-	-	-	-	-	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-
AS AT 31 DECEMBER 2017	**154**	**993**	**21,978**	**3,161**	**-**	**26,286**	**26,612**	**-**	**26,612**	**52,898**
CARRYING VALUE AS AT 31 DECEMBER 2017	**5,497**	**200**	**5,658**	**1,026**	**215**	**12,596**	**2,657**	**2,548**	**5,205**	**17,801**
CARRYING VALUE AS AT 1 JANUARY 2017	**5,639**	**388**	**6,385**	**1,631**	**37**	**14,080**	**4,021**	**1,919**	**5,940**	**20,020**

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

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

Group as at 31 December 2018	Land and buildings	Improvements rented locations	Computer, equipment, furniture	Vehicles	Tangibles, in progress	Total Tangibles	Intangibles	Intangibles, in progress	Total Intangibles	Total
COST										
AS AT 1 JANUARY 2018	**5,651**	**1,193**	**29,707**	**4,700**	**215**	**41,466**	**33,142**	**2,548**	**35,690**	**77,156**
Additions	-	127	2,172	142	28	2,469	2,314	1,047	3,361	5,830
Revaluation*	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-1,210	-117	-	-1,327	-82	-	-82	-1,409
Transfers between categories	-	-	77	119	-196	-	2,725	-2,725	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-
AS AT 31 DECEMBER 2017	**5,651**	**1,320**	**30,746**	**4,844**	**47**	**42,608**	**38,099**	**870**	**38,969**	**81,577**
ACCUMULATED DEPRECIATION										
AS AT 1 JANUARY 2018	**154**	**993**	**23,893**	**3,674**	**-**	**28,714**	**30,460**	**-**	**30,460**	**59,174**
Amortization for the year	142	163	3,264	685	-	4,254	2,322	-	2,322	6,576
Revaluation	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-1,171	-111	-	-1,282	-82	-	-82	-1,364
Transfers between categories	-	-	-	-	-	-	-	-	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-
AS AT 31 DECEMBER 2018	**296**	**1,156**	**25,986**	**4,248**	**-**	**31,686**	**32,700**	**-**	**32,700**	**64,386**
CARRYING VALUE AS AT 31 DECEMBER 2018	**5,355**	**164**	**4,760**	**596**	**47**	**10,922**	**5,399**	**870**	**6,269**	**17,191**
CARRYING VALUE AS AT 1 JANUARY 2018	**5,497**	**200**	**5,814**	**1,026**	**215**	**12,752**	**2,682**	**2,548**	**5,230**	**17,982**

**) The last valuation of the buildings was performed as of 31 December 2016 by expert valuators, ANEVAR members (The National Association of Romanian Appraisors). The estimation of market values was determined following the principles and evaluation techniques presented in International Valuation Standards (IVS) –edition 2013, using the market comparison approach. The gross book value of fully depreciated tangible assets, still in use as at 31 December 2018 amounts to RON 23,705 thousand and the gross book value of fully amortised intangible assets, still in use amounts to RON 30,110 thousand.*

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

Group as at 31 December 2017	Land and buildings	Improvements rented locations	Computer, equipment, furniture	Vehicles	Tangibles, in progress	Total Tangibles	Intangibles	Intangibles, in progress	Total Intangibles	Total
COST										
AS AT 1 JANUARY 2017	**5,651**	**1,285**	**28,047**	**4,641**	**37**	**39,661**	**31,694**	**1,919**	**33,613**	**73,274**
Additions	-	49	1,994	59	197	2,299	1,114	1,063	2,177	4,476
Revaluation*	-	-	-	-	-	-	-	-	-	-
Disposals	-	-141	-353	-	-	-494	-100	-	-100	-594
Transfers between categories	-	-	19	-	-19	-	434	-434	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-
AS AT 31 DECEMBER 2017	**5,651**	**1,193**	**29,707**	**4,700**	**215**	**41,466**	**33,142**	**2,548**	**35,690**	**77,156**
ACCUMULATED DEPRECIATION										
AS AT 1 JANUARY 2017	**12**	**897**	**21,547**	**3,005**	**-**	**25,461**	**27,668**	**-**	**27,668**	**53,129**
Amortization for the year	142	237	2,696	669	-	3,744	2,892	-	2,892	6,636
Revaluation	-	-	-	-	-	-	-	-	-	-
Disposals	0	-141	-350	-	-	-491	-100	-	-100	-591
Transfers between categories	-	-	-	-	-	-	-	-	-	-
Transfers to investment property	-	-	-	-	-	-	-	-	-	-
AS AT 31 DECEMBER 2017	**154**	**993**	**23,893**	**3,674**	**-**	**28,714**	**30,460**	**-**	**30,460**	**59,174**
CARRYING VALUE AS AT 31 DECEMBER 2017	**5,497**	**200**	**5,814**	**1,026**	**215**	**12,752**	**2,682**	**2,548**	**5,230**	**17,982**
CARRYING VALUE AS AT 1 JANUARY 2017	**5,639**	**388**	**6,500**	**1,636**	**37**	**14,200**	**4,026**	**1,919**	**5,945**	**20,145**

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

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

20. INVESTMENT PROPERTY

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

	Balance as at 1 January 2018	Additions	Disposals	Revaluation		Balance as at December 31, 2018
				Gains	(Losses)	
Land	9,249	-	-	391	-	9,640
Building	30,475	-	-	472	-	30,947
TOTAL	**39,724**	**-**	**-**	**863**	**-**	**40,587**

The Bank/Group valued the investment property owned in 2018 so as to determine the fair value of these investments based on the valuation report issued by an independent member ANEVAR using the income method. Rental income from investment properties in 2018 amounted to RON 4,382 thousand (2017: 4,463 thousand).

	Balance as at 1 January 2017	Additions	Disposals	Revaluation		Balance as at December 31, 2017
				Gains	(Losses)	
Land	9,672	-	-	74	-497	9,249
Building	29,597	-	-	878	-	30,475
TOTAL	**39,269**	**-**	**-**	**952**	**497**	**39,724**

21. OTHER ASSETS

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Sundry debtors	36,869	13,550	36,991	11,580
Current income tax *)	-	-	560	560
Prepayments	8,518	8,114	6,051	6,012
Premium reserve - ceded to reinsurance	41,163	-	40,068	-
Deferred acquisition costs related to general insurance	1,224	-	1,761	-
Receivables from insurance	2,365	-	1,454	-
Commissions receivable from mandate operations	969	969	365	365
Others	688	29	99	99
OTHER ASSETS, GROSS VALUE	**91,796**	**22,662**	**87,349**	**18,616**
Expected losses /impairment sundry debtors	-13,301	-6,966	-12,734	-5,680
Expected losses /impairment insurance settlements	-966	-	-966	-
TOTAL EXPECTED LOSSES	**-14,267**	**-6,966**	**-13,700**	**-5,680**
OTHER ASSETS, NET VALUE	**77,529**	**15,696**	**73,649**	**12,936**

**) As at 31 December 2017, the Bank has a claim to recover from the state budget in the amount of RON 560 thousand, representing*

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

22. DUE TO BANKS

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Current accounts and sight deposits from banks	61,004	61,004	45,003	45,003
Term deposits	374,794	374,794	266,092	266,092
Repurchase agreements	-	-	206,366	206,366
TOTAL DUE TO BANKS	**435,798**	**435,798**	**517,461**	**517,461**

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

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

In accordance with Law 96/2000, with all subsequent amendments, the Bank/Group benefits from the establishment of the following funds at its disposal:

a) The Guarantee Fund - Law 96/2000 - art. 10 a,

b) The Fund for insurance and reinsurance operations - Law 96/2000 - art. 10 b,

c) The Fund for financing operations - Law 96/2000 - art. 10 c,

which will be used to pay the commitments made by EximBank on behalf of and to the benefit of the State (Law 96/2000 - art. 12, paragraph 1).

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

State funds available to the Bank/Group are presented in the consolidated and separate statement of financial position as financial liabilities in the "Deposits from MPF" caption, the detailed statement for 31 December 2018 and 31 December 2017 being as follows:

	31-Dec-18	31-Dec-17
Funds for guarantee operations	1,527,407	1,471,721
Fund for insurance and reinsurance activities	122,826	40,371
Funds for stimulating exports	73,560	134,534
TOTAL DEPOSITS DUE TO MPF (PRINCIPAL)	**1,723,793**	**1,646,626**
Accrued interest	3,228	1,215
TOTAL DEPOSITS DUE TO MPF	**1,727,021**	**1,647,841**

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

Operations carried out by the Bank/Group on behalf of and to the benefits of State must be approved by the Interministerial Committee for Foreign Trade Loans and Guarantees, in accordance with Law 96/2000. The table below presents the exposures in the name and account of the State managed by the Bank at the 31st of December 2018 and 31st of December 2017.

Exposures in the name and account of the state	2018	2017
Loans	70,333	68,565
Guarantee	1,808,640	1,607,970
Insurance	394,085	123,446
TOTAL EXPOSURES	**2,273,058**	**1,799,981**

The maximum limit of the exposures managed by the Bank is determined by multiplying the coeficients (periodically approved by the Interministerial Committee of Guarantees and Loans to the External Trade) with the level of the available amount of each fund given to the Bank in accordance with the provisions of Law 96/2000.

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

Sources and use of funds

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

a) the funds annualy approved and presented into State budget with this destination;

b) 25% of external receivables recovered by the State from debtor countries;

c) net amounts from insurance premiums;

d) recoveries from credit insurance;

e) recoveries from the owners of guarantees issued;

f) interest received from available amounts of the funds;

g) interest related to subsidized interest and priority projects financing;

h) other sources, according to law.

Sources of state funds in 2017-2018 referred solely to commissions, interest and insurance premiums, reimbursements or recoveries, paid to the State by the intermediaries and beneficiaries of the products granted by EximBank in the name and account of the Romanian state. Since 2009 no budgetary allocations were recorded and neither amounts drawn from foreign claims, actually recovered from debtor countries. The Funds were used for financing agreements granted on behalf of and to the benefit of the State, interest compensations, executions, claims and commissions paid to related operations developed.

Interest on deposits from the Ministry of Public Finance

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

The cost of funding for 2018 was 2.21% (2017: 0.87%). The interest expense related to State funds used is included in the consolidated statement of profit or loss in the "Interest Expense" caption, presented in note 4 of these financial statements.

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

Deposits from MPF/Destination		Guarantees	Insurance and reinsurance	Financing	Total funds
OPENING BALANCE AS AT 1 JANUARY 2018		**1,471,722**	**40,370**	**134,534**	**1,646,626**
Budgetary allocations		-	-	-	-
Use (decrease in funds)	Funding	-	-	-	-
	Interest compensation	-	-	-	-
	Enforcements/Claims	-20,055	-	-	-20,055
	Commissions – other payments	-9,616	-6,318	-66,686	-82,620
Sources (increase in funds)	Financing reimbursements	-	-	386	386
	Recoveries from enforcement	21,929	491	952	23,372
	Commissions/interest/premiums	63,427	88,283	4,374	156,084
CLOSING BALANCE AS AT 31 DECEMBER 2018		**1,527,407**	**122,826**	**73,560**	**1,723,793**

Deposits from MPF/Destination		Guarantees	Insurance and reinsurance activities	Financing	Total funds
OPENING BALANCE AS AT 1 JANUARY 2017		**1,532,421**	**38,940**	**129,528**	**1,700,889**
Budgetary allocations		-	-	-	-
Use (decrease in funds)	Funding	-	-	-	-
	Interest compensation	-	-	-	-
	Enforcements/Claims	-114,850	-	-	-114,850
	Commissions – other payments payments	-4,523	-436	-995	-5,954
Sources (increase in funds)	Financing reimbursements	-	-	2,658	2,658
	Recoveries from enforcement	14,278	342	2,053	16,673
	Commissions/interest/premiums	44,396	1,524	1,290	47,210
CLOSING BALANCE AS AT 31 DECEMBER 2017		**1,471,722**	**40,370**	**134,534**	**1,646,626**

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

24. REMUNERATION OF MANDATE OPERATIONS

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

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

The coefficient is calculated on the last day of each month and applied the next month on the interest payable on State funds. During 2018, the average coefficient was 30% (2017: 30%).

The Bank/Group reveivables from Romanian state representing commisions calculated and not redeemded are disclosed in the individual and consolidate financial position as “Other Assets”.

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

25. DUE TO CUSTOMERS

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Current accounts	401,046	401,140	250,283	250,587
Sight deposits	92,096	92,096	189,394	189,757
Term deposits	3,155,865	3,155,865	1,756,337	1,756,337
Collateral deposits	158,355	158,355	108,317	108,317
Other payables	7,898	7,898	46	46
	3,815,260	**3,815,354**	**2,304,377**	**2,305,044**

Term deposits can be withdrawn before their maturity, in which case the interest income is computed based on current account interest rate prevailing at the date of withdrawal. Due to customers values eliminated on consolidation are 94 thousand lei on 31 December 2018, respectively 667 thousand lei on 31 December 2017.

Collateral deposits are mainly represented by:

- Cash collateral received for securing the loans granted by the Bank/Group;

- Cash collateral received for letters of guarantee issued by the Bank/Group;

- Deposits for devices to access internet banking application.

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

26. PROVISIONS

The Bank/Group has calculated provisions for financial guarantees, for employees liabilities, respectively: untaken holidays, employee's performance bonus, pensions and similar obligations, litigations with employees and other compensatory payments, other litigations.

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

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

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Provisions for letters of guarantees	18,453	18,453	8,068	8,068
Provisions for other liabilities related to salaries, out of which:	13,388	13,388	4,492	4,492
-with deferred payment for less than 1 year;	404	404	541	541
- with deferred payment from 1 to 3 years;	321	321	666	666
Provisions for untaken holiday	3,030	3,030	2,392	2,392
Provisions for retirement benefits, out of which:	1,235	1,235	1,152	1,152
-with deferred payment for less than 1 year;	104	104	150	150
- with deferred payment from 1 to 3 years;	116	116	94	94
- with deferred payment from 3 to 5 years;	119	119	94	94
- with deferred payment exceeding 5 years;	896	896	814	814
Provisions for insurance claims	4,452	-	4,448	-
	40,558	**36,106**	**20,552**	**16,104**

Financial year 2018

Group	Balance at 1 January 2018	Provision use	Provision cancellation	Provision Constitution	Balance at 31 December 2018
Provisions for guarantee letters and commitments - IAS39	8,068	-	-	-	-
Impact IFRS 9	3,982	-	-	-	-
PROVISIONS FOR GUARANTEE LETTERS AND COMMITMENTS IAS39 – IFRS 9 *)	**12,050**	**0**	**-52,774**	**59,177**	**18,453**
Provisions for other obligations related to salaries :	4,492	-2,531	-190	11,617	13,388
Provisions for salaries	3,421	-2,531	-190	11,617	12,317
Provisions for litigation	1,071	-	-	-	1,071
Provisions for holidays not taken	2,392	-6	0	644	3,030
Other provisions- EximAsig	4,448	0	0	4	4,452

**) The difference between the sum of 5.806 thousand lei from note 5 and the amount above presented, represents foreign exchange rate difference related to the provisions made for guarantees issued in foreign currency.*

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

Financial Year 2017

Group	Balance at 1 January 2017	Provision use	Provision cancellation	Provision Created	Balance at 31 December 2017
Provisions for guarantee letters and commitments	**9,489**	-	-14,633	13,212	**8,068**
Provisions for other obligations related to salaries	**4,579**	-2,145	-428	2,486	**4,492**
Provisions for salaries	**3,781**	-2,145	-428	2,213	**3,421**
Provisions for litigation	**798**	-	-	273	**1,071**
Provisions for holidays not taken	**1,974**	-1,684	-16	2,118	**2,392**
Other provisions- ExisAsig	**4,336**	-	-	112	**4,448**

Provision movement for retirement benefits:

	31-Dec-18	31-Dec-17
INITIAL BALANCE	**1,152**	**1,173**
Interest cost	-76	-139
Cost of service	62	50
Paid benefits	-110	-105
(Gain)/actuarial loss of the period	207	173
FINAL BALANCE	**1,235**	**1,152**

The main hypothesis used to determine retirement benefits after employment were:

	31-Dec-18	31-Dec-17
Discount rate	5,0%	4,4%
Future raises of salaries	1,5%	1,5%

According to IAS 19 Employee benefits. The Bank/Group recognized in the current statement of financial position the debt with long-term benefits of employees. In the evaluation of the net debt according to the benefits plan the Bank/Group followed the following actuarial principles in the evaluation of the obligations:

- the method of actuarial evaluation must be the method of projected credit units;
- the benefits must be attributed to the period in which the employees earns these benefits;
- the actuarial presumptions must be unbiased and reciprocally compatible.

27. OTHER LIABILITIES

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Contributions to social security funds	2,219	2,076	2,039	2,052
Current profit tax	18,939	18,939	-	-
Other liabilities to employees	216	-	187	-
Other sundry liabilities (note 28)	107,275	20,090	104,654	17,832
Other liabilities to the public budget	666	614	945	906
	129,315	**41,719**	**107,825**	**20,790**

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

28.
OTHER SUNDRY LIABILITIES

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Technical reserves – total, out of which:	**64,715**	**-**	**62,337**	**-**
Premium reserve	13,322	-	14,010	-
Reserve for claims on general insurance	50,849	-	47,727	-
Other technical reserves relating to general insurance business	544	-	600	-
SETTLEMENTS ON REINSURANCE OPERATIONS - TOTAL, OUT OF WHICH:	**20,317**	**-**	**22,522**	**-**
Ceded in reinsurance operations - loans	19,291	-	19,070	-
Reinsurance operations - insurance for guarantees	984	-	3,627	-
Ceded in reinsurance operations - other	42	-	-175	-
OTHER SUNDRY LIABILITIES TOTAL, OF WHICH:	**22,243**	**20,090**	**19,795**	**17,832**
Sundry creditors	5,726	3,622	2,428	656
Currency adjusted accounts	5	5	-	-
Interbank settlements	14,884	14,884	16,022	16,022
Suppliers	1,628	1,579	1,345	1,154
	107,275	**20,090**	**104,654**	**17,832**

Technical reserves ceded in reinsurance are presented in other assets (note 21), the gross and net changes in reserves, during 2018, are as follows:

	31-Dec-18	31-Dec-17	Net variation
Premium reserve	13,322	14,010	-688
Claim reserve	50,849	47,727	3,123
Other technical reserves related to general insurance business	544	600	-56
TECHNICAL RESERVES – GROSS VALUE	**64,715**	**62,337**	**2,379**
Premium reserve - the part ceded in reinsurance	6,269	-7,167	-898
Reserves for claims relating general insurance - the part ceded in reinsurance	34,894	-32,901	1,992
TOTAL TECHNICAL RESERVES CEDED IN REINSURANCE	**41,163**	**-40,068**	**1,094**
TECHNNICAL RESERVES – NET VALUE	**23,552**	**22,269**	**1,285**

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

29. DEFFERED INCOME AND ACCRUED EXPENSES

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Deferred income – for acting as agent of the State	8,888	8,888	8,320	8,320
Deferred income - risk margin and letter of credit commission *)	11,585	11,585	5,368	5,368
Deferred income on insurance guarantees	8	-	6	-
Outstanding expenses	1,736	1,725	932	932
	22,217	**22,198**	**14,626**	**14,620**

**) The variation compared to last year is generated by the commission withheld in the case of a single transaction from loan insurance (for which the Bank has recorded an income of approximately 5.4 milion RON).*

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

30. SHARE CAPITAL

	31-Dec-18	31-Dec-17
Nominal share capital registered at Trade Registry	800,760	800,760
Restatement of share capital for hyperinflation (IAS 29)	900,714	900,714
Total share capital	**1,701,474**	**1,701,474**

During 2018, respectively 2017, there was no modification of the share capital of the Bank. There were no changes in the shareholders' structure.

Shareholder's name	Number of shares as of 31 December 2018	Value	Number of shares as of 31 December 2017	Value
Ministerul Finanțelor Publice	127,286,457	763,720	127,286,457	763,720
SIF Banat Crisana	414,740	2,488	414,740	2,488
SIF Moldova	414,740	2,488	414,740	2,488
SIF Transilvania	414,740	2,488	414,740	2,488
SIF Muntenia	564,870	3,389	564,870	3,389
SIF Oltenia	4,364,430	26,187	4,364,430	26,187
TOTAL	**133,459,977**	**800,760**	**133,459,977**	**800,760**

The authorized, subscribed and fully paid in share capital of the Bank at 31 December 2018 is 133,459,977 shares with a nominal value of RON 6 (31 December 2017: 133,459,977 shares with a nominal value of RON 6). All issued shares are fully paid in and carry one vote right each.

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

The share capital structure as at 31 December 2018 and 31 December 2017 is as follows:

	31-Dec-18	31-Dec-17
Ministry of Public Finance	95.374%	95.374%
SIF Oltenia	3.270%	3.270%
SIF Muntenia	0.423%	0.423%
SIF Moldova	0.311%	0.311%
SIF Transilvania	0.311%	0.311%
SIF Banat Crisana	0.311%	0.311%
	100%	**100%**

31. DIVIDENDS

During 2018, the Bank paid dividends amounting to RON 12,409 thousand from the profit of the year 2017 (in 2017 the Bank paid dividends in the amount of 5,037 thousand RON from the profit of 2016).

32. RETAINED EARNINGS

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Retained earnings, undistributed	75,399	75,553	6,426	13,994
Retained earnings, adjustment for inflation under IAS 29	-900,714	-900,714	-900,714	-900,714
Reserves (note 33)	234,573	234,418	226,422	226,282
	-590,742	**-590,743**	**-667,866**	**-660,438**

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

33. RESERVES

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Legal reserves	63,216	63,216	56,599	56,459
Reserves for banking risks	22,896	22,896	22,896	22,896
Reserves representing bank's sources of financing	148,306	148,306	146,927	146,927
	234,573	**234,418**	**226,422**	**226,282**

Legal reserves are established in the limit 5% of profit before income tax deduction.

General reserves for banking risks include reserves established until the end of 2006, in quotas and limits provided by law.

Reserves representing bank's sources of financing are constituted from the bank's net profit according to the decision of AGA.

The present financial statements include the accounting profit distribution for 2018 to the legal reserve in amount of 7,046 thousand lei, set up within the limit of 5% of gross profit (1,020 thousand RON in 2017).

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

Reserves from re-evaluation

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

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
ON THE 1ST OF JANUARY	**25,661**	**25,661**	**25,661**	**25,661**
Revaluation surplus	-	-	-	-
Deferred tax	-	-	-	-
ON THE 31ST OF DECEMBER	**25,661**	**25,661**	**25,661**	**25,661**

34. RESERVE FOR INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (2018), RESERVES FOR FINANCIAL INSTRUMENTS AVAILABLE FOR SALE (2017)

The fair value of the financial instruments designated at fair value through other comprehensive income result has increased during 2018 to 3,905 thousand lei (2017: minus 48,887 thousand lei), the impact being booked in equity. Also, at the date of transaction to IFRS 9 the Bank/Group reclassified in the category of financial assets at amortised cost a portfolio of bonds issued by the Ministery of Finance with residual maturity over 5 years for which a positive impact has been recorded in equity on the 1st of January 2018 as follows:

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
ON THE 1ST OF JANUARY IAS 39	**-36,974**	**-36,974**	**4,091**	**4,091**
Impact IFRS 9	19,265	19,265	n.a.	n.a.
ON THE 1ST OF JANUARY	**-17,709**	**-17,709**	**N.A.**	**N.A.**
Gain/(loss) net from the changes in fair value	3,905	3,905	-48,887	-48,887
Deferred tax	-628	-628	7,822	7,822
ON THE 31ST OF DECEMBER	**-14,432**	**-14,432**	**-36,974**	**-36,974**

35. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

Guarantees and letters of credit

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

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

Credit related commitments

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

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

The Bank/Group monitors the unused part of credit lines in terms of liquidity and credit risk, by determining on a regular basis the conversion factor into credit equivalent in order to provide the necessary financing sources.

In order to mitigate the credit risk associated with the commitments and contingencies, the Bank/Group obtains collaterals in the term of cash, from State and banks, like mortgages.

The aggregate amount of outstanding commitments and contingencies, booked in off balance sheet, is as follows:

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Letters of guarantee issued to customers	684,662	684,662	444,221	444,221
Undrawn guarantee commitments	396,762	396,762	259,919	259,919
Letters of credit	20,005	20,005	7,901	7,901
Undrawn loans commitments	1,201,519	1,201,519	702,360	702,360
	2,302,948	**2,302,948**	**1,414,401**	**1,414,401**

Commitments related to operational leasing - the Bank as lessee

The Bank/Group has signed rental contracts for commercial spaces including its headquarter.

The future value of minimum operational lease payments is presented in the table below:

	31-Dec-18 Group	31-Dec-18 Bank	31-Dec-17 Group	31-Dec-17 Bank
Less than 1 year	944	485	4.750	4.255
From 1 to 5 years	28,348	28,348	2.480	2.480
	29,292	**28,833**	**7,230**	**6,735**

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

36. RISK MANAGEMENT

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

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

Risk is inherent for the operations of the Group/Bank but is managed through a continuous process of identification, evaluation and monitoring, which is subject to risk limits and other controls. In decision-making process, risk management assures that the risks are properly considered, but responsible for decision-making remain the operational units, support functions and, ultimately, the Bank governing body.

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

1. Definition and classification of the risk profile, risk tolerance and risk appetite, established for significant risks categories assumed by the Group/Bank as well as identification, assessment, monitoring and controlling risks in accordance with specific rules and policies.

2. Maintain an appropriate reporting system for risk exposures, respectively for corresponding risk exposure limits, in accordance with the size and complexity of the Group/Bank.

3. Adequate seggregation of duties within the significant risk management process, to avoid potential conflicts of interest. Thus, the risk management function should be independent of operational functions, with enough authority, importance, resources and access to governing body.

4. Ensuring a consistent and effective framework for identifying, assessing, monitoring and controlling risk, which forms the basis for consistent definition of strategies, policies and procedures within all units of the Group/Bank which are exposed to risk.

5. Monitoring compliance with internal regulations established for the significant risks and proposing solutions for deficiencies.

6. Risk management function is involved in the approval of new products or significant modification of existing products.

7. Reviewing the strategy and significant risk management policies on a regular basis (at least yearly), in accordance with the regulatory framework of the National Bank of Romania or Financial Supervisory Authority (FSA).

8. The development and maintaining of the Bank/Group flow and processes for measuring expected losses which includes:

- The validation and testing of the models used to determine expected losses;
- The evaluation and monitoring of the significant increase of the credit risk;
- The incorporation of predictive information (forward looking).

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

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

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

- Strategic - includes risk management responsabilities achieved by the Board of Directors and the Risk Management Committee.

- Tactical - includes risk management responsabilities achieved by the senior management;

- Operational – implies risk management the level at which it is created, risk management model at operational level within the bank including three lines of defense consisting of:

a) At the first level, business lines responsible for assessing and mitigating risk for a given level of profit;

b) At the second level, the risk management function of the Group/Bank monitors, controls, quantifies risk; reports to appropriate levels and proposes mitigation measures. Compliance Division manages risk compliance at the bank level;

c) Internal Audit Department, at the third level, performs the independent review function.

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

A) CREDIT RISK

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

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

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

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

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

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

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

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

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

B) LIQUIDITY RISK

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

The Bank/Group's policy on liquidity is to maintain sufficient liquid reserves to meet its obligations as they fall due. The amount of total assets and liabilities as at 31 December 2018 and 31 December 2017, analyzed over the remaining period to maturity is included in Note 38.

C) MARKET RISK

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

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

The debt instruments that the Bank/Group aquires into its portfolios mainly consists in government (Ministry of Public Finance) bonds denominated in RON or EUR. As types of instruments Bank/Group holds bonds with discount certificates, treasury bills and bonds with coupon and as an exception a few bonds issued by other credit institutions, these being acquired in previous years.

- **Interest rate risk**

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

Interest margins may fluctuate and generate volatility in equity of the Group/Bank. The management of the Group/Bank sets limits in respect of interest rate changes, which are daily monitored. The amount of total assets and liabilities as at 31 December 2018 and 31 December 2017 analyzed by interest rate buckets is included in Note 39b.

- **Currency risk**

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

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

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

D) OPERATIONAL RISK

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

E) TAXATION RISK

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

Moreover, the recent transition to IFRS 9 of Romanian banks generates additional tax implications which are not fully clarified in the law and which might result in potential financial risks, for example regarding expected losses allowances deductibility and the tax impact of the effect of transition recognised in retained earnings.

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

F) RISK RELATED TO INSURANCE BUSINESS

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

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

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

1 - Accidents insurance;

5 - Aircraft insurance;

7 - Goods in transit insurance;

8 - Insurance against fire and other calamities;

9 - Other insurance of goods;

11 - Aircraft liability insurance;

13 - General liability insurance;

14 - Loan insurance;

15 - Guarantee insurance;

16 - Financial loss insurance.

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

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

CLASS/ Claim rate net of reinsurance	31-Dec-2018	31-Dec-2017
Accident insurance	0.00%	91.70%
Insurance of goods in transit	0.00%	0.00%
Insurance against fire and other natural calamities	0.00%	2.62%
General liability insurance	0.00%	99.71%
Loan insurance	411.99%	5.51%
Guarantee insurance	0.00%	57.69%
Financial loss insurance	0.00%	0.00%

Claim rate net of reinsurance was calculated for the financial year 2018. The increased rate for claim for loan insurance was generated by a risk subscribed in the year 2016 in which the company registered a significant exposure.

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

CLASS	31-Dec-2018 Insured amounts	31-Dec-2017 Insured amounts
Accident insurance	4,568	1,573
Insurance against fire and other natural calamities	2,892,572	2,284,036
General liability insurance	178,310	217,997
Loan insurance	166,198	136,317
Guarantee insurance	764,549	736,773
Financial loss insurance	4,917	4,503
TOTAL	**4,011,113**	**3,381,198**

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

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

Premium reserve, Insurance of:	31 December 2018			31 December 2017		
	Gross	Ceded in Reinsurance	Net	Gross	Ceded in Reinsurance	Net
Accidents	6	-	6	5	-	5
Fire and natural calamities	1,902	-	1,902	1,347	-	1,347
General liability	329	217	1,102	335	197	138
Loans	253	146	107	209	120	89
Guarantees	10,828	5,906	4,922	12,110	6,850	5,260
Financial losses	4	-	4	4	-	4
TOTAL	**13,322**	**6,269**	**7,053**	**14,010**	**7,167**	**6,843**

Reserve for RBNS claims:	31 December 2018			31 December 2017		
	Gross	Ceded in Reinsurance	Net	Gross	Ceded in Reinsurance	Net
Accidents	158	158	-	158	158	-
Fire and natural calamities	20	-	20	219	-	219
General liability	11,524	8,477	3,047	13,058	9,094	3,964
Loans	10,067	8,340	1,727	4,959	4,071	888
Guarantees	28,482	17,671	10,811	25,079	16,797	8,282
TOTAL	**50,251**	**34,646**	**15,605**	**43,473**	**30,120**	**13,353**

Reserve for IBNR claims:	Gross	Ceded in Reinsurance	Net	Gross	Ceded in Reinsurance	Net
General liability	220	152	69	3,155	2,132	1,023
Loans insurance	-	-	-	448	368	80
Guarantees	378	96	282	651	282	369
TOTAL	**598**	**248**	**350**	**4,254**	**2,782**	**1,472**

Other technical reserves for general insurance:	31 December 2018			31 December 2017		
	Gross	Ceded in Reinsurance	Net	Gross	Ceded in Reinsurance	Net
Loan insurance	544	-	544	600	-	600
TOTAL	**544**	**-**	**544**	**600**	**-**	**600**

SUBSCRIPTION RISK

In the subscription business the insurance company takes the risk to bear claims related to the insurance premium, risk given by the inadequate premium charges for the claims taken and the inadequate technical reserves opposed to the undertaken obligations. Concentration of technical risk could result in significant loss for the Company if an event or a series of events would affect a whole range of policies. The company reduces technical risk by carefully assessing customers, well-established exposure limits, reinsurance programs, and applying a prudent policy to set up technical and non-approved technical reserves.

The risks of natural disaster results from the degree of vulnerability calculated at the level of all objects insured within the Company's portfolio that can be damaged and/or destroyed in the event of an earthquake, flood and landslide event, including but not limited to buildings and within possesions belonging to individuals and legal entities, loss resulted from interruption of economic agents' activity, electronic goods, buildings in construction, machinery and construction equipment, etc.

Within the Company, procedures were developed to collect the information needed to model the risk of natural disasters: the address of the risk, the year of the construction, the structural elements. On a monthly basis the data verification and control (individuals, corporate and industrial risks) is performed by the functions responsible for portfolio management with exposure to natural disaster risk.

The Company quarterly calculates the gross and net exposure of the Company to natural disaster risks. The elements used are: policies covering natural disaster risks, insured amount and maximum possible damage. The result obtained is checked against the current reinsurance protection capacity.

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

CLAIM EVOLUTION

Below is the evolution of the claim according to the year of accident and the year of claim development, for each category of products. Triangles are built on gross of reinsurance claims occured (thousands of lei); on vertical there are the periods of accident and horizontally the periods of claim development. The historical data are also used in the calculation of the reported but not settled (RBNS) reserve.

The policy categories for which the evolution of claim is presented are: Loans and Guarantees, Buildings and Goods, Civil Liability. The values presented are cumulative.

THE TRIANGLES OF CLAIM ON 31 DECEMBER 2018 (YEAR 7), RESPECTIVELY 31 DECEMBER 2017 (YEAR 6)

Guarantees and Loans - Events of cumulative claim

	Development year							
Accident year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**
2011	38	43	43	43	43	43	43	43
2012	197	7,064	4,822	4,822	1,817	153	153	
2013	6,198	4,320	4,320	4,320	4,721	6,079		
2014	19,684	16,785	16,785	18,278	18,581			
2015	12	1,731	1,731	12				
2016	27,108	28,548	29,732					
2017	6,578	11,681						
2018	2,282							

Property and Buildings - Events of cumulative claim

	Development year							
Accident year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**
2011	-	-	-	-	-	-	-	-
2012	17	18	18	18	18	18	18	
2013	11	5	5	5	5	5		
2014	274	251	87	87	87			
2015	150	100	54	54				
2016	703	66	46					
2017	213	44						
2018	20							

Public liability – Events of cumulative claim

	Development year							
Accident year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**
2011	-	-	-	-	-	-	-	-
2012	49	49	-	-	-	-	-	
2013	7	4,480	5,390	4,941	6,654	5,564		
2014	1,618	4,688	4,543	7,306	7,072			
2015	98	342	1,694	1,735				
2016	-	-						
2017	4	4						
2018	13							

LIABILITY ADEQUACY TEST ("LAT")

The liability adequacy test is performed to assess whether the debts from the insurance contracts are appropriate, using current estimates of future cash flows for the insurance contracts. If this assessment shows that the book value of insurance debts less the deferred acquisition costs is inappropriate in the light of future cash flow estimates, the entire difference should be recognized in profit or loss. The technical reserve adequacy test is carried out annually at the balance sheet date. The technical reserves adequacy test for unexpired risks involves the following steps:

- The historical final claim rate is estimated for each insurance class, adjusted with the final recovery rate; since unexpired risks come from different years of underwriting for the business line of loans and guarantees, the expected historical claim rate is a good indicator of future cash flows from claims and expense related to instrumentation and liquidation on the files for unexpired risks;
- A charge rate that includes commissions and administrative expenses is added; the acquisition costs already incurred are excluded because they will not generate future cash flows.

In the event that a deficit is obtained, the balance of reported acquisition costs carried forward will be diminished with the deficiency observed; if the balance of the carried out acquisition costs is not sufficient, an additional reserve will be created.

The liabilities adequacy test as at December 31, 2018 revealed a total deficiency amounting RON 1,610 thousand (December 31st, 2017: RON 1,265 thousand).

The liability adequacy test at 31 December 2018, respectively 31 December 2017, presented into the table below, has taken into consideration the rate of forecasted recoveries:

31 December 2018									
Insurance Class	**Premium Reserve**	**Deferred Acquisition Costs**	**Claim Rate**	**Estimated Claims**	**Recovery Rate**	**Estimated Recoveries**	**Administrative expense rate**	**Estimate expenses**	**Adequate/ (Deficiency) at 31/12/2018**
	a	**b**	**c**	**d=a*c**	**e**	**f=d*e**	**g**	**h=a*g**	**i=a-b-(d-f+h)**
Accidents	6	1	0%	-	0%	-	61%	4	1
Buildings and goods	1,902	295	1%	27	0%	-	61%	1,159	421
Civil liability	329	71	17%	55	0%	-	61%	201	2
Loans	253	-	36%	92	0%	-	61%	154	7
Guarantees	10,827	1.916	55%	5,969	27%	1,612	61%	6,596	-2,043
Financial losses	4	-	0%	-	0%	-	61%	2	2
TOTAL	**13,322**	**2,284**		**6,144**		**1,612**		**8,116**	**-1,610**

31 December 2017									
Insurance Class	**Premium Reserve**	**Deferred Acquisition Costs**	**Claim Rate**	**Estimated Claims**	**Recovery Rate**	**Estimated Recoveries**	**Administrative expense rate**	**Estimate expenses**	**Adequate/ (Deficiency) at 31/12/2017**
	a	**b**	**c**	**d=a*c**	**e**	**f=d*e**	**g**	**h=a*g**	**i=a-b-(d-f+h)**
Accidents	5	1	92%	4	0%	-	53%	2	-3
Buildings and goods	1,324	211	3%	35	0%	-	53%	698	381
Civil liability	338	76	100%	337	0%	-	53%	178	-254
Loans	210	-	6%	12	0%	-	53%	111	88
Guarantees	12,106	2,126	58%	6,985	27%	1,904	53%	6,379	-1,479
Financial losses	4	-	0%	-	0%	-	53%	2	2
TOTAL	**13,988**	**2,414**		**7,373**		**1,904**		**7,371**	**-1,265**

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

37. RISCUL DE CREDIT

The credit risk management principles include:

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

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

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

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

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

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

On 31.12.2018, the situation is presented in the table below:

31.12.2018 - Group	Total Exposure	The maxim exposure to credit risk	Fair value of collaterals held					
			Collateral Deposits	Debt securities	State collaterals	Other financial guarantees	Mortages	Other
Cash	**373**	-	-	-	-	-	-	-
Accounts with the National Bank of Romania	**742,684**	-	-	-	-	-	-	-
Receivables on credit institutions	**792,185**	792,185	-	-	-	-	-	-
Derivative financial instruments	**4,495**	4,495	-	-	-	-	-	-
Trading financial instruments	**68,620**	68,620	-	-	-	-	-	-
Available for sale instruments	**-**	-	-	-	-	-	-	-
Financial assets at fair value through other elements at global results	**1,667,255**	1,667,255	-	-	-	-	-	-
Financial instruments held to maturity	**-**	-	-	-	-	-	-	-
Financial assets at amortised cost	**556,959**	556,959	-	-	-	-	-	-
Credite, net	**3,321,486**	3,421,066	27,306	-	652,440	213,279	1,115,383	3,329,821
Loans (gross value)	**3,421,066**	3,421,066	27,306	-	652,440	213,279	1,115,383	3,329,821
Loan impairment adjustments	**-99,580**	-	-	-	-	-	-	-
Investments in subsidary	**-**	-	-	-	-	-	-	-
Net tangible assets	**10,922**	-	-	-	-	-	-	-
Net intangible assets	**6,269**	-	-	-	-	-	-	-
Investment property	**40,587**	-	-	-	-	-	-	-
Other assets	**77,529**	69,415	-	-	-	-	-	-
Deferred tax, asset	**4,014**	-	-	-	-	-	-	-
TOTAL ASSETS	**7,293,378**	**6,579,995**	**27,306**	**-**	**652,440**	**213,279**	**1,115,383**	**3,329,821**
Off – balance sheet exposures:	**2,302,947**	**2,302,947**	**28,666**	**-**	**638,497**	**64,898**	**310,464**	**1,472,287**
Letters of credit	**20,004**	20,004	2,299	-	4,456	-	227	25,505
Loan commitments	**1,201,519**	1,201,519	2,390	-	200,408	18,299	199,671	709,278
Letters of guarantee	**1,081,424**	1,081,424	23,977	-	433,633	46,599	110,566	737,504
TOTAL	**9,596,325**	**8,882,942**	**55,972**	**-**	**1,290,937**	**278,177**	**1,425,847**	**4,802,108**

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

For the 31.12.2017, the situation is presented in the table below:

31.12.2017 –Group	Total exposure	The maxim exposure to credit risk	Fair value of collaterals held					
			Collateral Deposits	Debt securities	State collaterals	Other financial guarantees	Mortages	Other
Cash	**424**	-	-	-	-	-	-	-
Accounts with the National Bank of Romania	**206,689**	-	-	-	-	-	-	-
Receivables on credit institutions	**203,634**	203,634	-	50,583	-	-	-	-
Derivative financial instruments	**1,627**	1,627	-	-	-	-	-	-
Trading financial instruments	**73,909**	73,909	-	-	-	-	-	-
Available for sale instruments	**2,153,458**	2,153,458	-	-	-	-	-	-
Financial assets at fair value through other elements at global results	**-**	-	-	-	-	-	-	-
Financial instruments held to maturity	**40,501**	40,501	-	-	-	-	-	-
Financial assets at amortised cost								
Credite, net	**2,823,682**	2,938,910	23,697	-	560,737	82,058	744,341	3,481,441
Loans (gross value)	**2,938,910**	2,938,910	23,697	-	560,737	82,058	744,341	3,481,441
Loan impairment adjustments	**-115,228**	-	-	-	-	-	-	-
Investments in subsidary	**-**	-	-	-	-	-	-	-
Net tangible assets	**12,752**	-	-	-	-	-	-	-
Net intangible assets	**5,230**	-	-	-	-	-	-	-
Investment property	**39,724**	-	-	-	-	-	-	-
Other assets	**73,649**	69,046	-	-	-	-	-	-
Deferred tax, asset	**3,210**							
TOTAL ASSETS	**5,638,489**	**5,481,085**	**23,697**	**50,583**	**560,737**	**82,058**	**744,341**	**3,481,441**
Off – balance sheet exposures:	**1,414,401**	1,414,401	18,595	-	292,399	102,945	116,100	1,114,963
Letters of credit	**7,901**	7,901	-	-	-	-	-	-
Loan commitments	**702,360**	702,360	1,711	-	82,143	7,793	66,434	691,502
Letters of guarantee	**704,140**	704,140	16,884	-	210,256	95,152	49,666	423,461
TOTAL	**7,052,890**	**6,895,486**	**42,292**	**50,583**	**853,136**	**185,003**	**860,441**	**4,596,404**

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

For the 31.12.2018, the situation is presented in the table below:

31.12.2018 –Bank	Total exposure	The maxim exposure to credit risk	Fair value of collaterals held					
			Collateral Deposits	Debt securities	State collaterals	Other financial guarantees	Mortages	Other
Cash	**370**	-	-	-	-	-	-	-
Accounts with the National Bank of Romania	**742,684**	-	-	-	-	-	-	-
Receivables on credit institutions	**767,927**	767,927	-	-	-	-	-	-
Derivative financial instruments	**4,495**	4,495	-	-	-	-	-	-
Trading financial instruments	**68,620**	68,620	-	-	-	-	-	-
Available for sale instruments	**-**	-	-	-	-	-	-	-
Financial assets at fair value through other elements at global results	**1,667,255**	1,667,255						
Financial instruments held to maturity	**-**	-	-	-	-	-	-	-
Financial assets at amortised cost	**517,260**	517,260						
Credite, net	**3,321,486**	3,421,066	27,306	-	652,440	213,279	1,115,383	3,329,821
Loans (gross value)	**3,421,066**	3,421,066	27,306	-	652,440	213,279	1,115,383	3,329,821
Loan impairment adjustments	**-99,580**	-	-	-	-	-	-	-
Investments in subsidary:	**34,047**	591	-	-	-	-	-	-
Loan convertible into shares	**591**	591	-	-	-	-	-	-
Net tangible assets	**10,475**	-	-	-	-	-	-	-
Net intangible assets	**5,996**	-	-	-	-	-	-	-
Investment property	**40,587**	-	-	-	-	-	-	-
Other assets	**15,696**	7,582	-	-	-	-	-	-
Deferred tax, asset	**4,014**	-						
TOTAL ASSETS	**7,200,912**	**6,454,796**	**27,306**	**-**	**652,440**	**213,279**	**1,115,383**	**3,329,821**
Off – balance sheet exposures:	**2,302,947**	2,302,947	28,666	-	638,497	64,898	310,464	1,472,287
Letters of credit	**20,004**	20,004	2,299	-	4,456	-	227	25,505
Loan commitments	**1,201,519**	1,201,519	2,390	-	200,408	18,299	199,671	709,278
Letters of guarantee	**1,081,424**	1,081,424	23,977	-	433,633	46,599	110,566	737,504
TOTAL	**9,503,859**	**8,757,743**	**55,972**	**-**	**1,290,937**	**278,177**	**1,425,847**	**4,802,108**

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

For the 31.12.2017. the situation is presented in the table below:

31.12.2017 –Bank	Total Exposure	The maxim exposure to credit risk	Fair value of collaterals held					
			Collateral Deposits	Debt securities	State collaterals	Other financial guarantees	Mortages	Other
Cash	**405**	-	-	-	-	-	-	-
Accounts with the National Bank of Romania	**206,689**	-	-	-	-	-	-	-
Receivables on credit institutions	**177,027**	177,027	-	50,583	-	-	-	-
Derivative financial instruments	**1,627**	1,627	-	-	-	-	-	-
Trading financial instruments	**73,909**	73,909	-	-	-	-	-	-
Available for sale instruments	**2,153,458**	2,153,458	-	-	-	-	-	-
Financial assets at fair value through other elements at global results	**-**	-	-	-	-	-	-	-
Financial instruments held to maturity	**-**	-	-	-	-	-	-	-
Financial assets at amortised cost	**-**	-	-	-	-	-	-	-
Loans, net	**2,823,682**	2,938,910	23,697	-	560,737	82,058	744,341	3,481,441
Loans (gross value)	**2,938,910**	2,938,910	23,697	-	560,737	82,058	744,341	3,481,441
Loan impairment adjustments	**-115,228**	-	-	-	-	-	-	-
Investments in subsidary:	**44,123**	20,080	-	-	-	-	-	-
Loan convertible into shares	**20,080**	20,080	-	-	-	-	-	-
Net tangible assets	**12,596**	-	-	-	-	-	-	-
Net intangible assets	**5,205**	-	-	-	-	-	-	-
Investment property	**39,724**	-	-	-	-	-	-	-
Other assets	**12,936**	10,133	-	-	-	-	-	-
Deferred tax, asset	**3,210**							
TOTAL ASSETS	**5,554,591**	**5,375,144**	**23,697**	**50,583**	**560,737**	**82,058**	**744,341**	**3,481,441**
Off – balance sheet exposures:	**1,414,401**	1,414,401	18,595	-	292,399	102,945	116,100	1,114,963
Letters of credit	**7,901**	7,901	-	-	-	-	-	-
Loan commitments	**702,360**	702,360	1,711	-	82,143	7,793	66,434	691,502
Letters of guarantee	**704,140**	704,140	16,884	-	210,256	95,152	49,666	423,461
TOTAL	**6,968,992**	**6,789,545**	**42,292**	**50,583**	**853,136**	**185,003**	**860,441**	**4,596,404**

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

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

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

The capacity of reimbursement of a client represents the most relevant sign of the credit risk associated with the loans. All the collaterals ensure a suplimentary protection for the Bank/Group as several guarantees are required, tangible, intangible, financial guarantees.

On the 31 December 2018, the value of impaired loans in stage 3 is of 284,387 thousand RON covered by collaterals in total amount of 224,245 RON (on 31 December 2017 the value of impaired loans was 223,134 RON and that of the collaterals 183,775 RON). The value of collaterals is limited to the amortised cost of the loan.

The balance sheet exposure at credit for both the Group and the Bank, representing loans and advances for the clients (Note 17), is classified into the following risk categories:

Risk category	Gross maximum exposure of loans and advances to customers	
	31.12.2018	31.12.2017
A	1.242.194	1.166.703
B	954.143	802.531
C	678.837	568.793
D	376.520	240.700
E	66.533	74.838
Import factors *)	102.839	85.345
TOTAL	3.421.066	2.938.910

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

Loans and advances to customers are aggregated based on the following risk categories:

A - minimum risk;

B - low risk, no losses are expected;

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

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

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

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

Gross Credit Exposure 2017	Neither past due nor impaired						Past due	Impaired	Total
Customer type	A	B	C	D, E *)	No rating	Total			
Corporate customer	704.342	802.532	546.270	111.763	81.489	2.246.396	8.393	223.134	2.477.923
Public authorities	450.273	-	-	-	-	450.273	10.714	-	460.987
TOTAL CREDITE	1.154.615	802.532	546.270	111.763	81.489	2.696.669	19.107	223.134	2.938.910

*) the exposure for E rated customers is at 31 December 2017 in total amount of RON 1,195 thousand

The table below presents adjustments for expected losses (collective and individual as were estimated by the Group/Bank on 31st o December 2018 and 31st of December 2017).

	2018	2017
Adjustments for expected losses for loans in stage 3 evaluated at individual level	55.272	76.990
Collective adjustments for expected losses (stage 1 and 2)	44.308	38.238
TOTAL ADJUSTMENTS FOR IMPAIRMENT	99.580	115.228

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

DATA, ASSUMPTIONS AND TECHNIQUES USED TO ESTIMATE IMPAIRMENT

For the calculation of expected credit losses, the Bank's/Group's financial assets are classified into one of the following categories:

- Stage 1: Financial assets whose credit risk has not significantly increased by comparing to the initial recognition date (origination moment), for which credit risk adjustments are determined over a time horizon equal to the minimum of the residual maturity of the exposure expressed in months and one year. For credit lines, ceilings and factoring agreements adjustments will be calculated over a one-year horizon, irrespective of contractual maturity;

- Stage 2: Unimpaired financial assets whose credit risk has increased significantly by comparing to the time of initial recognition and for which credit risk adjustments are determined over the residual life of those assets. For credit lines, ceilings and factoring agreements adjustments are calculated over a time horizon representing the average lending duration irrespective of the contractual maturity of the exposures;

Exposures for which a significant deterioration of credit risk has been noted are allocated to Stage 2, if at least one of the following conditions is met:

- the number of days past due at client level is higher than 30 days;
- insolvency proceedings are opened against the client;
- the client's financial performance has deteriorated in D or E from the date of granting the exposure;
- client's financial performance has deteriorated at least one class at the reporting date versus the granting date and at least one of the following conditions is met: decrease in the annual turnover by more than 50% or equity is negative or net loss is higher than 10% of turnover;
- client's financial performance has deteriorated two classes at the reporting date versus the granting date, and following an evaluation of the case (reasons that led to the rating downgrade/other aspects) it is found that this change reflects the significant deterioration of credit risk;
- the customer has at least one restructured exposure during the probation period;
- the customer records delays of more than 60 days to other creditors at the Credit Risk Control Unit;
- the client has left Stage 3 in the previous 3 months.

- Stage 3: Impaired financial assets, including exposures impaired at initial recognition, for which credit risk adjustments are determined over the residual life of those financial assets.

For credit risk management purposes as well as for financial-prudential reporting purposes, the Bank applies the same criteria for the classification of exposures in non-performing exposures, default exposures and impaired exposures.

Therefore, financial assets are allocated, under IFRS 9, to stages of impairment, as follows:

- Stage 3 – all exposures classified as non-performing according to the definition of the European Banking Authority.
- Stage 2 – exposures with significant credit risk deterioration, namely all exposures which are not allocated to Stage 3 that meet at least one of the rating conditions, financial condition/ratios, debt service, client's payment behavior towards the Bank/Group or other financial creditors etc.
- Stage 1 – all exposures that are not allocated to stages 2 or 3.

NON-PERFORMING LOANS (IMPAIRED)

The Bank has implemented the definition of default, also used to account for impaired exposures as set out in Regulation 575/2013, namely for exposures from credit/guarantee operations other than non-recourse factoring exposures, exposures are not performing if at least one of the following conditions is met:

- The number of days past due at client level is higher than 90 days (the days past due higher than 90 days are considered for all of the client's obligations to the bank without application of a materiality threshold) or legal proceedings against the client have been initiated by the bank;

- The client is unlikely to pay, at least one of the following conditions being met:

• the insolvency proceeding was opened, inclusind in the situations when:

- the bank has requested the opening of bankruptcy proceedings against the debtor or a similar measure for the debtor's credit obligations in respect of EximBank;
- the debtor has requested bankruptcy proceedings or similar protection if this would have the effect of avoiding or postponing the payment of a credit obligation to EximBank;

• the recognition of interest on the loan obligation ceases;

• the Bank recognizes a specific charge for adjusting credit risk resulting from a significant deterioration of the credit quality, after origination date;

- loans are impaired at origination/initial recognition;
- restructured loans that meet the non-performing conditions.

Purchased or originated credit impaired loans (POCI), a sub-category of non-performing exposures, results from restructuring operations applied to performing or non-performing exposures where net present value of estimated future cash flows (NPV = Net Present Value) based on the new agreement decreases by more than 10% compared to the net present value of cash flows under contractual obligations before changes to the contractual terms and conditions.

For all exposures in Stage 3 (non-performing exposures), the Bank/Group determines expected credit losses based on individual exposure analysis and assessment and for Stages 1 and 2, the Bank/Group determines expected credit losses based on collective analysis/assessment (by grouping financial instruments with similar credit risk characteristics).

The Bank/Group applies the same criteria for the classification of exposures in non-performing exposures, default exposures and impaired exposures (Stage 3).

Impaired exposures at initial recognition (impaired exposures at origination) are classified to stage 3, during exposure lifetime. Lifetime expected credit losses adjustments are estimated based on an individual assessment, at values equal to the expected losses over the lifetime of these exposures. For these assets, at each reporting date, the amount of change in lifetime expected credit losses is recognized in profit or loss as an impairment gain or loss.

The PD model used takes into account the structure and specificity of the Bank/Group portfolio (historical horizon and number of clients with relatively limited exposure, low default). The model involves splitting the exposure portfolios into homogeneous segments, so as to ensure enough cases of exposure and default events for a realistic PD estimation.

EximBank has segmented the client portfolio in order to determine the expected credit losses as follows:

- non-financial corporations;
- non-bank financial institutions ("IFN");
- local public authorities and regional administrations ("APL");
- factoring irrespective of the type of debtor ceded/import factor, taking into account the specificity of the product.

DETERMINING THE RISK PARAMETERS

Determining the probability of default (PD) for loans in case of non-financial corporations segment consists of calculating cumulative conditional default rates, using the Weibull function to predict cumulative default curves and using the Vasicek calibration function so that the above-mentioned PDs are adjusted with forward-looking information.

For EximBank exposures with no default (IFN, APL), the probability of default (PD) is determined based on cumulative PD curves starting from the observed annual default rate for the financial sector/insurance companies/minimum threshold level according to EU Regulation 575/2013, including "forward looking" adjustments in the model; for internal recourse factoring exposures, PDs determined according to the segment of non-financial corporations are considered.

Determining the loss given default parameter (LGD) for loans with respect to the non-financial corporations segment involves the following:

- grouping data inputs for the model, depending on the historical evolution of recoveries (i.e. recoveries recorded since entering the category of non-performing exposures);
- calculation of conditional cumulative recovery rates;
- starting from historical recovery rates, the logistics function is used for the projection of the cumulative recovery curve and the LGD TTC estimate (loss in case of default over the economic cycle horizon);
- forward-looking adjustments for LGD PIT transformation (loss in case of default at reporting date) by linking to the PDs determined.

The forward looking element of the model is represented by the GDP forecast for the next 3 years. The values of the parameters used in calculating the expected credit losses take into account the values estimated by the European Commission (2019: 3.8%, 2020: 3.6%, 2021: 3.6%), IMF (2019: 3.4%, 2020: 3.3%, 2021: 3.2 %) and World Bank (2019: 4.5%, 2020: 4.1%, 2021: 4.1%). The forecasted values mentioned above are considered as the baseline scenario with a 45% weighting in the final values. The bank also considers a pessimistic scenario with a 40% share (negative deviation by 50% from the above average) and an optimistic scenario with a 15% share (positive deviation by 10% from the above average).

As regards exposures with no history of default with Eximbank (nonbank financial institutions, local public authorities and non-recourse factoring), the calculation starts from a minimum LGD TTC according to EU Regulation 575/2013, namely 45%, incorporating forward looking adjustments for LGD PIT conversion. For exposures from internal recourse factoring, the LGD shall be determined according to the segment of non-financial corporations.

In the case of credit lines (revolving facilities), for the determination of the conversion factor in the balance sheet (CCF):

- based on historical data, the probability of using credit commitments at the date of default for the non-financial corporations portfolio is calculated and this probability is compared to the average utilization rate of the credit lines in the portfolio;

- the CCF represents the positive difference between the average utilization rate resulting from the model based on historical data and the average utilization rate at the update date.

In the case of guarantee letters, letters of credit and guarantee ceilings, CCF represents the execution rate at the portfolio level. For mixed (cash and non-cash) ceilings, CCF is considered as the average between the CCF calculated for guarantee exposures and the CCF for term loans. For undrawn non-revolving loans and cash limits, the CCF is considered 100%.

Gross loans 2018	Stage 1, 2 (current)	Stage 1, 2 (overdue <30 days)	Stage 1, 2 (overdue >30 days)	Stage 3	Originated impaired	Total
Corporate	2,648,840	16,043	854	284,387	13,708	2,963,832
Public authorities	448,749	7,481	-	-	1,004	457,234
TOTAL LOANS	**3,097,589**	**23,524**	**854**	**284,387**	**14,712**	**3,421,066**

Gross loans 2017	Current	Overdue	Impaired	Total
Corporate	2,246,396	8,393	223,134	2,477,923
Public authorities	450,273	10,714	-	460,987
TOTAL LOANS	**2,696,669**	**19,107**	**223,134**	**2,938,910**

RESTRUCTURED LOANS

At the end of 2018, the Bank/Group had gross restructured loans in amount of RON 233,820 thousand (RON 210,619 thousand) recorded, the criteria for classification and maintenance in the category of restructured loans being in line with the definitions of the European Banking Authority, namely NBR Order 9/2017.

Restructured loans	Gross amount	Adjustments	Net amount
2018	233,820	-35,039	198,781
2017	210,619	-55,613	155,006

In 2017 the Bank proceeded to direct reduction of the value of impaired loans in the amount of RON 55,144 thousand that met the derecognition criteria and were fully covered by impairment adjustments, continuing the activity of recovering off-balance sheet receivables for which recovery means have not been exhausted. In 2018, the Bank did not write-off any loans.

Off balance sheet exposures, still monitored	31-Dec-18	31-Dec-17
Total off balance sheet monitored exposures	140,640	231,355

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

38. LIQUIDITY RISK

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

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

The Group/Bank maintains the minimum compulsory reserves required by Regulation No.6/2002 of NBR, 2002 regarding the minimum reserve system, the level in effect at the end of 2018 being 8% for resources drawn in RON and for the resources drawn in foreign currency, in effect at the end of 2018 (2017: 8% for RON, 10% for foreign currency).

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

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

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

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

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

The table below analyzes assets and liabilities of the Group/Bank by relevant maturity buckets based on residual maturity of the contract at the balance sheet date 31 December 2018

31.12.2018 - Grup	TOTAL	Of which: liquidity risk	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	over 5 years
ASSETS							
Cash and cash equivalents	373	373	373	-	-	-	-
Accounts with the National Bank of Romania	742,684	742,684	742,684	-	-	-	-
Due from banks	792,185	792,185	752,147	36,070	3,968	-	-
Derivative assets	4,495	4,495	2,744	-	-	1,751	-
Trading financial instruments	68,620	68,620	68,620	-	-	-	-
Available for sale investments	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	1,667,255	1,667,255	35,179	190,979	516,659	808,171	116,267
Investments held to maturity	-	-	-	-	-	-	-
Financial assets at amortised cost	556,959	556,959	47,976	2,896	14,729	34,068	457,290
Net loans	3,321,486	3,321,486	69,821	394,983	1,324,549	1,105,304	426,829
Investments in subsidary	-	-	-	-	-	-	-
Net tangible assets	10,922	-	-	-	-	-	-
Net intangible assets	6,269	-	-	-	-	-	-
Net investment property	40,587	-	-	-	-	-	-
Other assets	77,529	77,529	76,741	788	-	-	-
Deferred tax, asset	4,014	-	-	-	-	-	-
	7,293,378	**7,231,586**	**1,796,285**	**625,716**	**1,859,905**	**1,949,294**	**1,000,386**
LIABILITIES							
Derivatives	756	756	756	-	-	-	-
Due to banks	435,798	435,798	435,798	-	-	-	-
MPF Funds	1,727,021	1,727,021	327,021	-	-	1,400,000	-
Due to customers	3,815,260	3,815,260	1,943,182	892,418	865,676	110,964	3,020
Deferred income and accrued expenses	22,217	-	-	-	-	-	-
Provisions	40,558	-	-	-	-	-	-
Other liabilities	129,315	129,315	110,376	18,939	-	-	-
Deffered tax, liability	-	-	-	-	-	-	-
	6,170,925	**6,108,150**	**2,817,133**	**911,357**	**865,676**	**1,510,964**	**3,020**
NET ASSETS	**1,122,453**	**1,123,436**	**-1,020,848**	**-285,641**	**994,229**	**438,330**	**997,366**
OFF-BALANCE SHEET							
Loan commitments	1,132,050	1,132,050	42,525	157,427	212,385	176,105	543,608
Guarantee commitments	1,145,267	1,145,267	54,350	61,443	220,258	691,339	117,877
Cash in from derivatives	624,775	624,775	119,365	215,723	196,988	92,699	-
Cash out from derivatives	-619,945	-619,945	-118,502	-214,118	-195,469	-91,856	-
	2,282,147	**2,282,147**	**97,738**	**220,475**	**434,162**	**868,287**	**661,485**

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

The Bank holds in its portfolio highly liquid assets (securities issued by MPF), which provides a high capacity for absorption of potential short-term liquidity shocks. In general, the deposits with less than one month are stable because they are prolongued at maturity, being a characteristic of Romanian banking market.

31.12.2018 - Bank	TOTAL	Of which: liquidity risk	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	over 5 years
ASSETS							
Cash and cash equivalents	370	370	370	-	-	-	-
Accounts with the National Bank of Romania	742,684	742,684	742,684	-	-	-	-
Due from banks	767,927	767,927	744,607	23,320	-	-	-
Derivative assets	4,495	4,495	2,744	-	-	1,751	-
Trading financial instruments	68,620	68,620	68,620	-	-	-	-
Available for sale investments	-	-	-	-	-	-	-
Financial assets at fair through other comprehensive income	1,667,255	1,667,255	35,179	190,979	516,659	808,171	116,267
Investments held to maturity	-	-	-	-	-	-	-
Financial assets at amortised cost	517,260	517,260	47,976	2,833	9,161	-	457,290
Net loans	3,321,486	3,321,486	69,821	394,983	1,324,549	1,105,304	426,829
Investments in subsidary:	34,047	34,047	34,047	-	-	-	-
Loan convertible into shares	591	-	-	-	-	-	-
Net tangible assets	10,475	-	-	-	-	-	-
Net intangible assets	5,996	-	-	-	-	-	-
Net investment property	40,587	-	-	-	-	-	-
Other assets	15,696	15,696	14,908	788	-	-	-
Deferred tax, asset	4,014	-	-	-	-	-	-
	7,200,912	**7,105,793**	**1,726,909**	**612,903**	**1,850,369**	**1,915,226**	**1,000,386**
LIABILITIES							
Derivatives	756	756	756	-	-	-	-
Due to banks	435,798	435,798	435,798	-	-	-	-
MPF Funds	1,727,021	1,727,021	327,021	-	-	1,400,000	-
Due to customers	3,815,354	3,815,354	1,943,276	892,418	865,676	110,964	3,020
Deferred income and accrued expenses	22,198	-	-	-	-	-	-
Provisions	36,106	-	-	-	-	-	-
Other liabilities	41,719	41,719	22,780	18,939	-	-	-
Deffered tax, liability	-	-	-	-	-	-	-
	6,078,952	**6,020,648**	**2,729,631**	**911,357**	**865,676**	**1,510,964**	**3,020**
NET ASSETS	**1.121.960**	**1.085.145**	**-1.002.722**	**-298.454**	**984.693**	**404.262**	**997.366**
OFF-BALANCE SHEET							
Loan commitments	1,132,050	1,132,050	42,525	157,427	212,385	176,105	543,608
Guarantee commitments	1,145,267	1,145,267	54,350	61,443	220,258	691,339	117,877
Cash in from derivatives	624,775	624,775	119,365	215,723	196,988	92,699	-
Cash out from derivatives	-619,945	-619,945	-118,502	-214,118	-195,469	-91,856	-
	2,282,147	**2,282,147**	**97,738**	**220,475**	**434,162**	**868,287**	**661,485**

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

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

31.12.2017 - Group	TOTAL	Of which: liquidity risk	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	over 5 years
ASSETS							
Cash and cash equivalents	424	424	424	-	-	-	-
Accounts with the National Bank of Romania	206,689	206,689	206,689	-	-	-	-
Due from banks	203,634	203,634	149,982	53,517	135	-	-
Derivative assets	1,627	1,627	522	1,105	-	-	-
Trading financial instruments	73,909	73,909	28,378	-	-	45,531	-
Available for sale investments	2,153,458	2,153,458	389,823	16,390	393,879	894,194	459,172
Financial assets at fair through other comprehensive income	-	-	-	-	-	-	-
Investments held to maturity	40,501	40,501	-	-	-	40,501	-
Financial assets at amortised cost	-	-	-	-	-	-	-
Net loans	2,823,682	2,823,682	54,092	253,677	1,062,825	1,129,338	323,750
Investments in subsidary	-	-	-	-	-	-	-
Net tangible assets	12,752	-	-	-	-	-	-
Net intangible assets	5,230	-	-	-	-	-	-
Net investment property	39,724	-	-	-	-	-	-
Other assets	73,649	69,044	69,044	-	-	-	-
Deferred tax, asset	3.210						
	5,638,489	**5,572,968**	**898,954**	**324,689**	**1,456,839**	**2,109,564**	**782,922**
LIABILITIES							
Derivatives	3,008	3,008	3,008	-	-	-	-
Due to banks	517,461	517,461	517,461	-	-	-	-
MPF Funds	1,647,841	1,647,841	246,807	-	-	1,401,034	-
Due to customers	2,304,377	2,304,377	1,092,992	519,774	623,348	65,556	2,707
Deferred income and accrued expenses	14,626	-	-	-	-	-	-
Provisions	20,552	-	-	-	-	-	-
Other liabilities	107,825	107,825	107,825	-	-	-	-
Deffered tax, liability	-	-	-	-	-	-	-
	4,615,690	**4,580,512**	**1,968,093**	**519,774**	**623,348**	**1,466,590**	**2,707**
NET ASSETS	**1,022,799**	**992,456**	**-1,069,139**	**-195,085**	**833,491**	**642,974**	**780,215**
OFF-BALANCE SHEET							
Loan commitments	710,261	710,261	10,824	147,245	181,200	114,270	256,722
Guarantee commitments	704,140	704,140	4,182	34,748	234,705	413,452	17,053
Cash in from derivatives	516,858	516,858	258,981	116,505	102,276	39,096	-
Cash out from derivatives	-517,868	-517,868	-260,775	-116,060	-102,460	-38,573	-
	1,413,391	**1,413,391**	**13,212**	**182,438**	**415,721**	**528,245**	**273,775**

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

31.12.2017 - Bank	TOTAL	Of which: liquidity risk	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	over 5 years
ASSETS							
Cash and cash equivalents	405	405	405	-	-	-	-
Accounts with the National Bank of Romania	206,689	206,689	206,689	-	-	-	-
Due from banks	177,027	177,027	139,596	37,431	-	-	-
Derivative assets	1,627	1,627	522	1,105	-	-	-
Trading financial instruments	73,909	73,909	28,378	-	-	45,531	-
Available for sale investments	2,153,458	2,153,458	389,823	16,390	393,879	894,194	459,172
Financial assets at fair through other comprehensive income	-	-	-	-	-	-	-
Investments held to maturity	-	-	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	-	-
Net loans	2,823,682	2,823,682	54,092	253,677	1,062,825	1,129,338	323,750
Investments in subsidary	44,123	-	-	-	-	-	-
Loan convertible into shares	20,080	-	-	-	-	-	-
Net tangible assets	12,596	-	-	-	-	-	-
Net intangible assets	5,205	-	-	-	-	-	-
Net investment property	39,724	-	-	-	-	-	-
Other assets	12,936	10,131	10,131	-	-	-	-
Deferred tax, asset	3,210	-	-	-	-	-	-
	5,554,591	**5,446,928**	**829,636**	**308,603**	**1,456,704**	**2,069,063**	**782,922**
LIABILITIES							
Instrumente derivate	3,008	3,008	3,008	-	-	-	-
Depozite de la bănci	517,461	517,461	517,461	-	-	-	-
Depozite de la MFP	1,647,841	1,647,841	246,807	-	-	1,401,034	-
Depozite de la clientelă	2,305,044	2,305,044	1,093,659	519,774	623,348	65,556	2,707
Venituri amânate	14,620	-	-	-	-	-	-
Provizioane	16,104	-	-	-	-	-	-
Alte datorii	20,790	20,790	20,790	-	-	-	-
Impozit amânat, pasiv	-	-	-	-	-	-	-
	4,524,868	**4,494,144**	**1,881,725**	**519,774**	**623,348**	**1,466,590**	**2,707**
NET ASSETS	**1,029,723**	**952,784**	**-1,052,089**	**-211,171**	**833,356**	**602,473**	**780,215**
OFF-BALANCE SHEET							
Loan commitments	710,261	710,261	10,824	147,245	181,200	114,270	256,722
Guarantee commitments	704,140	704,140	4,182	34,748	234,705	413,452	17,053
Cash in from derivatives	516,858	516,858	258,981	116,505	102,276	39,096	-
Cash out from derivatives	-517,868	-517,868	-260,775	-116,060	-102,460	-38,573	-
	1,413,391	**1,413,391**	**13,212**	**182,438**	**415,721**	**528,245**	**273,775**

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

The financial liabilities of the Group/Bank at the end of 2018, including future cash flows represented by interest not recognized in the income statement and in the amortised cost of liabilities, are presented into the tables below:

31.12.2018 – GROUP	TOTAL	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	over 5 years
FINANCIAL LIABILITIES, including future interest						
Derivatives	756	756	0	0	0	0
Due to banks	435,918	435,918	0	0	0	0
Deposits from MPF	1,828,950	329,635	5,228	23,527	1,470,560	0
Due to customers	3,824,966	1,943,649	894,141	870,482	113,492	3,202
Other liabilities	129,315	110,376	18,939	0	0	0
	6,219,906	**2,820,334**	**918,308**	**894,009**	**1,584,052**	**3,202**
31.12.2018 - BANK	**TOTAL**	**< 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**over 5 years**
FINANCIAL LIABILITIES, including future interest						
Derivatives	756	756	0	0	0	0
Due to banks	435,918	435,918	0	0	0	0
Deposits from MPF	1,828,950	329,635	5,228	23,527	1,470,560	0
Due to customers	3,825,060	1,943,743	894,141	870,482	113,492	3,202
Other liabilities	41,719	22,780	18,939	0	0	0
	6,132,404	**2,732,832**	**918,308**	**894,009**	**1,584,052**	**3,202**

The Financial liabilities of the The Group/Bank, at the end of 2017, including future cash flows represented by interest not recognized in the income statement and in the amortised cost of liabilities, are presented into the tables below:

31.12.2017 – GROUP	TOTAL	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	over 5 years
FINANCIAL LIABILITIES, including future interest						
Derivatives	3,008	3,008	-	-	-	-
Due to banks	517,481	517,481	-	-	-	-
Deposits from MPF	1,700,316	246,807	3,087	9,262	1,441,160	-
Due to customers	2,310,714	1,093,253	520,801	626,295	67,516	2,849
Other liabilities	107,825	107,825	-	-	-	-
	4,639,344	**1,968,374**	**523,888**	**635,557**	**1,508,676**	**2,849**
31.12.2017 - BANK	**TOTAL**	**< 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**over 5 years**
FINANCIAL LIABILITIES, including future interest						
Derivatives	3,008	3,008	-	-	-	-
Due to banks	517,481	517,481	-	-	-	-
Deposits from MPF	1,700,317	246,807	3,087	9,262	1,441,160	-
Due to customers	2,311,381	1,093,920	520,801	626,295	67,516	2,849
Other liabilities	20,790	20,790	-	-	-	-
	4,552,977	**1,882,006**	**523,888**	**635,557**	**1,508,676**	**2,849**

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

39.
MARKET RISK

A. FOREIGN EXCHANGE RISK

The currency structure of financial assets and liabilities of the Group/Bank as at December 31, 2018 is as follows:

31.12.2018 - Group	TOTAL	RON	EUR	USD	OTHERS
ASSETS					
Cash and cash equivalents	373	140	168	63	2
Accounts with the National Bank of Romania	742,684	231,298	511,386	-	-
Due from banks	792,185	45,755	88,987	637,364	20,079
Derivative assets	4,495	2,744	-	1,751	-
Trading financial instruments	68,620	68,620	-	0	-
Available for sale investments					-
Financial assets at fair through other comprehensive income	1,667,255	1,529,715	-	137,540	-
Investments held to maturity					-
Financial assets at amortised cost	556,959	541,892	15,067	-	-
Net loans	3,321,486	2,524,326	691,194	105,966	-
Investments in subsidary	-	-	-	-	-
Net tangible assets	10,922	10,922	-	-	-
Net intangible assets	6,269	6,269	-	-	-
Net investment property	40,587	40,587	-	-	-
Other assets	77,529	73,558	904	3,026	41
Deferred tax, asset	4,014	4,014	-	-	-
TOTAL ASSETS	**7,293,378**	**5,079,840**	**1,307,706**	**885,710**	**20,122**
LIABILITIES					
Derivatives	756	756	-	-	-
Due to banks	435,798	334,164	39,633	54,218	7,783
Deposits from MPF	1,727,021	1,727,021	-	-	-
Due to customers	3,815,260	2,284,874	778,492	743,994	7,900
Deferred income and accrued expenses	22,217	11,773	3,682	6,757	5
Provisions	40,558	30,902	4,092	5,564	-
Other liabilities	129,315	121,728	6,682	839	66
Deferred tax, liability	-	-	-	-	-
TOTAL LIABILITIES	**6,170,925**	**4,511,218**	**832,581**	**811,372**	**15,754**
EQUITY	**1,122,453**	**1,122,453**	**-**	**-**	**-**
Balance sheet position		-553,831	475,125	74,338	4,368
Poziție SPOT extrabilantiera (nedecontata)		-	-17,256	-	-
SPOT		**-536,574**	**457,869**	**74,338**	**4,368**
FORWARD		**463,654**	**-395,079**	**-68,575**	**-**
TOTAL		**-72,920**	**62,790**	**5,763**	**4,368**

31.12.2018 - BANK	TOTAL	RON	EUR	USD	OTHERS
ASSETS					
Cash and cash equivalents	370	138	167	63	2
Accounts with the National Bank of Romania	742,684	231,298	511,386	-	-
Due from banks	767,927	25,542	87,110	635,196	20,079
Derivative assets	4,495	2,744	-	1,751	-
Trading financial instruments	68,620	68,620	-	-	-
Available for sale investments	-	-	-	-	-
Financial assets at fair through other comprehensive income	1,667,255	1,529,715	-	137,540	-
Investments held to maturity	-	-	-	-	-
Financial assets at amortised cost	517,260	517,260	-	-	-
Net loans	3,321,486	2,524,326	691,194	105,966	-
Investments in subsidary	34,047	34,047	-	-	-
Loan convertible into shares	591	591	-	-	-
Net tangible assets	10,475	10,475	-	-	-
Net intangible assets	5,996	5,996	-	-	-
Net investment property	40,587	40,587	-	-	-
Other assets	15,696	11,731	898	3,026	41
Deferred tax, asset	4,014	4,014	-	-	-
TOTAL ASSETS	**7,200,912**	**5,006,493**	**1,290,755**	**883,542**	**20,122**
LIABILITIES					
Derivatives	756	756	-	-	-
Due to banks	435,798	334,164	39,633	54,218	7,783
Deposits from MPF	1,727,021	1,727,021	-	-	-
Due to customers	3,815,354	2,284,945	778,515	743,994	7,900
Deferred income and accrued expenses	22,198	11,754	3,682	6,757	5
Provisions	36,106	26,450	4,092	5,564	-
Other liabilities	41,719	34,181	6,633	839	66
Deferred tax, liability	-	-	-	-	-
TOTAL LIABILITIES	**6,078,952**	**4,419,271**	**832,555**	**811,372**	**15,754**
EQUITY	**1.121.960**	**1.121.960**	**-**	**-**	**-**
Balance sheet position		-534,738	458,200	72,170	4,368
SPOT Off-balance sheet position (not settled)		17,256	-17,256	-	-
SPOT		**-517,482**	**440,944**	**72,170**	**4,368**
FORWARD		**466,452**	**-395,079**	**-68,575**	**-2,797**
TOTAL		**-51,030**	**45,865**	**3,595**	**1,571**

The currency structure of financial assets and liabilities of the Group/Bank as at December 31, 2017:

31.12.2017 - Group	TOTAL	RON	EUR	USD	OTHERS
ASSETS					
Cash and cash equivalents	424	196	147	78	3
Accounts with the National Bank of Romania	206,689	182,381	24,308	-	-
Due from banks	203,634	130,930	22,560	35,654	14,490
Derivative assets	1,627	523	-	1,104	-
Trading financial instruments	73,909	73,909	-	-	-
Available for sale investments	2,153,458	2,059,322	-	94,136	-
Financial assets at fair through other comprehensive income	-	-	-	-	-
Investments held to maturity	40,501	15,504	24,997	-	-
Financial assets at amortised cost	-	-	-	-	-
Net loans	2,823,682	2,281,818	491,795	50,069	-
Investments in subsidary	-	-	-	-	-
Net tangible assets	12,752	12,752	-	-	-
Net intangible assets	5,230	5,230	-	-	-
Net investment property	39,724	39,724	-	-	-
Other assets	73,649	70,771	951	1,867	60
Deferred tax, asset	3,210	3,210	-	-	-
TOTAL ASSETS	**5.638.489**	**4.876.270**	**564.758**	**182.908**	**14.553**
LIABILITIES					
Derivatives	3,008	3,008	-	-	-
Due to banks	517,461	251,367	172,392	87,085	6,617
Deposits from MPF	1,647,841	1,647,841	-	-	-
Due to customers	2,304,377	1,992,890	82,850	223,789	4,848
Deferred income and accrued expenses	14,626	10,545	2,174	1,907	-
Provisions	20,552	17,141	3,219	191	1
Other liabilities	107,825	96,248	8,197	3,311	69
Deferred tax, liability	-	-	-	-	-
TOTAL LIABILITIES	**4.615.690**	**4.019.040**	**268.832**	**316.283**	**11.535**
EQUITY	**1.022.799**	**1.022.799**	**-**	**-**	**-**
Balance sheet position		-165,569	295,926	-133,375	3,018
SPOT Off-balance sheet position (not settled)			54,891	55,273	-
SPOT		**-274,428**	**350,817**	**-78,102**	**3,018**
FORWARD		**246.101**	**-330.839**	**84.737**	**-**
TOTAL		**-28,327**	**19,979**	**6,636**	**3,018**

In order to ensure the framework for measuring, monitoring and controlling the risks triggered by the fluctuations of the currencies traded, the Bank/Group daily performs the monitoring of foreign exchange position.

31.12.2017 - BANK	TOTAL	RON	EUR	USD	OTHERS
ASSTETS					
Cash and cash equivalents	405	177	147	78	3
Accounts with the National Bank of Romania	206,689	182,381	24,308	-	-
Due from banks	177,027	111,676	19,915	30,946	14,490
Derivative assets	1,627	523	-	1,104	-
Trading financial instruments	73,909	73,909	-	-	-
Available for sale investments	2,153,458	2,059,322	-	94,136	-
Financial assets at fair through other comprehensive income	-	-	-	-	-
Investments held to maturity	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-
Net loans	2,823,682	2,281,818	491,795	50,069	-
Investments in subsidary	44,123	44,123	-	-	-
Loan convertible into shares	20,080	20,080	-	-	-
Net tangible assets	12,596	12,596	-	-	-
Net intangible assets	5,205	5,205	-	-	-
Net investment property	39,724	39,724	-	-	-
Other assets	12,936	9,693	951	1,867	60
Deferred tax, asset	3,210	3,210	-	-	-
TOTAL ASSETS	**5,554,591**	**4,824,722**	**537,116**	**178,200**	**14,553**
LIABILITIES					
Derivatives	3,008	3,008	-	-	-
Due to banks	517,461	251,367	172,392	87,085	6,617
Deposits from MPF	1,647,841	1,647,841	-	-	-
Due to customers	2,305,044	1,993,254	83,153	223,789	4,848
Deferred income and accrued expenses	14,620	10,539	2,174	1,907	-
Provisions	16,104	12,693	3,219	191	1
Other liabilities	20,790	9,262	8,148	3,311	69
Deferred tax, liability	-	-	-	-	-
TOTAL LIABILITIES	**4,524,868**	**3,927,964**	**269,086**	**316,283**	**11,535**
EQUITY	**1,029,723**	**1,029,723**	**-**	**-**	**-**
Balance sheet position		-132,965	268,030	-138,083	3,018
SPOT Off-balance sheet position (not settled)			54,891	55,273	-1,305
SPOT		**-241,825**	**322,921**	**-82,810**	**1,713**
FORWARD		**246,101**	**-330,839**	**84,737**	**-**
TOTAL		**4,276**	**-7,917**	**1,928**	**1,713**

The net foreign exchange position at December 31, 2018, in thousand RON, is presented below, for each significant currency. The open foreign exchange position of EximAsig is not significant, the company hedges the foreign exchange risk:

Currency	SPOT *		FORWARD **		Net open position	
	Original amount (thousands)	RON equivalent (thousands)	Original amount (thousands)	RON equivalent (thousands)	Original amount (thousands)	RON equivalent (thousands)
EUR	94,548	440,962	-84,710	-395,079	9,838	45,883
USD	17,711	72,149	-16,834	-68,575	877	3,574
GBP	104	543	0	0	104	543
CHF	11	46	0	0	11	46
Altele		3,782	0	-2,797		984
Net position (+)=long (-)=short		**517,482**		**-466,452**		**51,030**

Spot position includes balance sheet open position and spot transactions to be settled within the next 2 working days.

*** Forward position includes transactions with the settlement date of more than 2 working days.*

For comparison, the position at December 31, 2017 is presented in the table below:

Currency	SPOT *		FORWARD **		Net open position	
	Original amount (thousands)	RON equivalent (thousands)	Original amount (thousands)	RON equivalent (thousands)	Original amount (thousands)	RON equivalent (thousands)
EUR	69,301	322,921	-71,000	-330,839	-1,699	-7,918
USD	-21,279	-82,810	21,775	84,737	496	1,927
GBP	11	58	-	-	11	58
CHF	14	56	-	-	14	56
Altele		1,599	-	-		1,599
Net position (+)=long (-)=short		**241,825**		**-246,101**		**-4,276**

Spot position includes balance sheet open position and spot transactions to be settled within the next 2 working days.

*** Forward position includes transactions with the settlement date of more than 2 working days.*

The table below presents the sensitivity analysis of the Bank's profit or loss account at fluctuations of +/- 10% or +/- 20% of the exchange rates against RON. The impact is determined according to the relevant shock on exchange rate, hypothetically chosen. For EximAsig the impact from exchange rate fluctuation is not significant as the company hedges its open foreign exchange position.

Currency	Net open position		Exchange rate 31.12.2018	Profit impact		Equity impact	
	Original amount (thousands)	RON Equivalent (thousands)		+/- 10%	+/- 20%	+/- 10%	+/- 20%
EUR	9,838	45,883	4,6639	4,588	9,177	4,588	9,177
USD	877	3,574	4,0736	357	715	357	715
GBP	104	543	5,1931	54	109	54	109
CHF	11	46	4,1404	5	9	5	9
Others		984	-	98	197	98	197
NET POSITION		**51,030**		**+/-5,103**	**+/-10,206**	**+/-5,103**	**+/-10,206**

For comparison, the position of the Bank as at December 31, 2017 is presented below:

Currency	Net open position		Exchange rate 31.12.2017	Profit impact		Equity impact	
	Original amount (thousands)	RON Equivalent (thousands)		+/- 10%	+/- 20%	+/- 10%	+/- 20%
EUR	-1,699	-7,918	4,6597	-792	-1,584	-792	-1,584
USD	496	1,927	3,8915	193	385	193	385
GBP	11	58	5,2530	6	12	6	12
CHF	14	56	3,9900	6	11	6	11
Others		1,599	-	160	320	160	320
NET POSITION		**-4,276**		**+/- 428**	**+/- 855**	**+/- 428**	**+/- 855**

B. INTEREST RATE RISK

The Bank/Group addresses interest rate risk for banking portfolio, by determining the impact of the variations of interest rates in future profits and its economic potential value.

In this respect, the Bank/Group uses a GAP analysis, to reflect the sensitivity of annual financial results to variations of interest rates, as well as the standard methodology for computing economic value as a result of interest rate change, according to NBR Regulations.

The GAP report as at 31.12.2018, and as at 31.12.2017, analyses the Bank's/Group's balances of assets and liabilities, sensitive to interest rate risk, by interest rate repricing date or their maturity date, to compute the gap between the assets and liabilities in a specific bucket. The potential impact on profit, estimated on a yearly basis, was determined using two different linear growth scenarios with asymmetric variation of interest rates on assets and liabilities, respectively: increase by + 100bp/ + 50bp and +50bp/ + 100bp, respectively:

	2018	2017
Scenario 1: +100pb (assets) /+50pb	26,842	17,831
Scenario 2: +50pb (assets) /+100pb (liabilities)	-30,501	-24,100

The Group's/Bank's average interest rates in 2018, respectively in 2017, for the main items of assets and liabilities denominated in RON, EUR and USD are presented in the table below:

	2018			2017		
	RON	EUR	USD	RON	EUR	USD
FINANCIAL ASSETS						
Accounts with the National Bank of	0.15%	-0,46%	-	0,07%	0,01%	-
Romania	2,15%	-0,43%	1,40%	0,99%	0,12%	0,97%
Placements with banks	4,92%	2,40%	5,41%	3,15%	3,30%	5,16%
Loans	2,84%	-	3,15%	2,53%	3,31%	3,77%
FIXED INCOME	**3,68%**	**1,81%**	**2,85%**	**2,72%**	**2,89%**	**3,34%**
FINANCIAL LIABILITIES						
Due to banks	2,50%	-0,39%	1,66%	0,67%	0,21%	1,01%
State Funds	2,21%	-	-	0,87%	-	-
Due to customers	2,05%	0,35%	0,93%	0,75%	0,01%	0,76%
TOTAL LIABILITIES	**1,71%**	**0,08%**	**1,25%**	**0,79%**	**0,09%**	**0,95%**

**) Accounts with the National Bank of Romania including Target2 accounts negative remunerated.*

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

The table below presents interest bearing assets and liabilities of the Group into relevant re-pricing buckets as at 31 December 2018.

31.12.2018 - Group	TOTAL	of which: interest rate risk	≤1 month	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS							
Cash and cash equivalents	373	-	-	-	-	-	-
Accounts with the National Bank of Romania	742,684	742,684	742,684	-	-	-	-
Due from banks	792,185	792,185	752,169	36,048	3,968	-	-
Derivative assets	4,495	-	-	-	-	-	-
Trading financial instruments	68,620	-	-	-	-	-	-
Available for sale investments	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	1,667,255	1,665,804	-	281,037	516,551	751,060	117,156
Investments held to maturity	-	-	-	-	-	-	-
Financial assets at amortised cost	556,959	556,959	-	2,896	14,729	34,068	505,266
Net loans	3,321,486	3,321,486	1,478,513	1,496,360	336,289	-	10,324
Net tangible assets	10,922	-	-	-	-	-	-
Net intangible assets	6,269	-	-	-	-	-	-
Net investment property	40,587	-	-	-	-	-	-
Other assets	77,529	-	-	-	-	-	-
Deferred tax, asset	4,014	-	-	-	-	-	-
TOTAL ASSETS	**7,293,378**	**7,079,118**	**2,973,366**	**1,816,341**	**871,537**	**785,128**	**632,746**
LIABILITIES							
Derivatives	756	-	-	-	-	-	-
Due to banks	435,798	435,798	435,798	-	-	-	-
Deposits from MPF	1,727,021	1,727,021	1,727,021	-	-	-	-
Due to customers	3,815,260	3,807,362	1,935,262	892,426	865,690	110,964	3,020
Deferred income and accrued expenses	22,217	-	-	-	-	-	-
Provisions	40,558	-	-	-	-	-	-
Other liabilities	129,315	-	-	-	-	-	-
Deferred tax, liability	-	-	-	-	-	-	-
TOTAL LIABILITIES	**6,170,925**	**5,970,181**	**4,098,081**	**892,426**	**865,690**	**110,964**	**3,020**
NET ASSETS	**1,122,453**	**1,108,937**	**-1,124,715**	**923,915**	**5,847**	**674,164**	**629,726**

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

31.12.2018 - Bank	TOTAL	of which: interest rate risk	≤1 month	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS							
Cash and cash equivalents	370	-	-	-	-	-	-
Accounts with the National Bank of Romania	742,684	742,684	742,684	-	-	-	-
Due from banks	767,927	767,927	744,629	23,298	-	-	-
Derivative assets	4,495	-	-	-	-	-	-
Trading financial instruments	68,620	-	-	-	-	-	-
Available for sale investments	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	1,667,255	1,665,804	-	281,037	516,551	751,060	117,156
Investments held to maturity	-	-	-	-	-	-	-
Financial assets at amortised cost	517,260	517,260	-	2,833	9,161	-	505,266
Net loans	3,321,486	3,321,486	1,478,513	1,496,360	336,289	-	10,324
Investments in subsidary	33,047	591	591	-	-	-	-
Loan convertible into shares	591	591	591	-	-	-	-
Net tangible assets	10,475	-	-	-	-	-	-
Net intangible assets	5,996	-	-	-	-	-	-
Net investment property	40,587	-	-	-	-	-	-
Other assets	15,696	-	-	-	-	-	-
Deferred tax, asset	4,014						
TOTAL ASSETS	**7,200,912**	**7,015,751**	**2,966,416**	**1,803,528**	**862,001**	**751,060**	**632,746**
LIABILITIES							
Derivatives	756	-	-	-	-	-	-
Due to banks	435,798	435,798	435,798	-	-	-	-
Deposits from MPF	1,727,021	1,727,021	1,727,021	-	-	-	-
Due to customers	3,815,354	3,807,456	1,935,356	892,426	865,690	110,964	3,020
Deferred income and accrued expenses	22,198	-	-	-	-	-	-
Provisions	36,106	-	-	-	-	-	-
Other liabilities	41,719	-	-	-	-	-	-
Deferred tax, liability	-	-	-	-	-	-	-
TOTAL LIABILITIES	**6,078,952**	**5,970,275**	**4,098,175**	**892,426**	**865,690**	**110,964**	**3,020**
NET ASSETS	**1,121,960**	**1,045,476**	**-1,131,759**	**911,102**	**-3,689**	**640,096**	**629,726**

The items are distributed on time buckets, based on the residual maturity for those with fixed interest rate, or to the nearest interest rate re-pricing date, for those items with a floating interest rate.

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

The table below presents interest bearing assets and liabilities of the Group into relevant re-pricing groupings as at 31 December 2017.

31.12.2017 - Group	TOTAL	of which: interest rate risk	≤1 month	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS							
Cash and cash equivalents	424	-	-	-	-	-	-
Accounts with the National Bank of Romania	206,689	206,689	206,689	-	-	-	-
Due from banks	203,634	203,634	151,380	52,119	135	-	-
Derivative assets	1,627	-	-	-	-	-	-
Trading financial instruments	73,909	-	-	-	-	-	-
Available for sale investments	2,153,458	2,153,290	288,714	108,347	400,807	843,069	512,353
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-
Investments held to maturity	40,501	40,501	-	-	-	40,501	-
Financial assets at amortised cost	-	-	-	-	-	-	-
Net loans	2,823,682	2,823,682	1,193,260	1,314,605	311,412	3,249	1,156
Net tangible assets	12,752	-	-	-	-	-	-
Net intangible assets	5,230	-	-	-	-	-	-
Net investment property	39,724	-	-	-	-	-	-
Other assets	73,649	-	-	-	-	-	-
Deferred tax, asset	3,210						
TOTAL ASSETS	**5,638,489**	**5,427,796**	**1,840,043**	**1,475,071**	**712,354**	**886,819**	**513,509**
LIABILITIES							
Derivatives	3,008	-	-	-	-	-	-
Due to banks	517,461	517,461	517,461	-	-	-	-
Deposits from MPF	1,647,841	1,647,841	1,647,841	-	-	-	-
Due to customers	2,304,377	2,304,330	1,092,992	519,774	623,347	65,556	2,661
Deferred income and accrued expenses	14,626	-	-	-	-	-	-
Provisions	20,552	-	-	-	-	-	-
Other liabilities	107,825	-	-	-	-	-	-
Deferred tax, liability	-	-	-	-	-	-	-
TOTAL LIABILITIES	**4,615,690**	**4,469,632**	**3,258,294**	**519,774**	**623,347**	**65,556**	**2,661**
NET ASSETS	**1,022,799**	**958,164**	**-1,418,251**	**955,297**	**89,007**	**821,263**	**510,848**

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

31.12.2017 - Bank	TOTAL	of which: interest rate risk	≤1 month	1-3 months	3-12 months	1-5 years	Over 5 years
ASSETS							
Cash and cash equivalents	405	-	-	-	-	-	-
Accounts with the National Bank of Romania	206,689	206,689	206,689	-	-	-	-
Due from banks	177,027	177,027	140,994	36,033	-	-	-
Derivative assets	1,627	-	-	-	-	-	-
Trading financial instruments	73,909	-	-	-	-	-	-
Available for sale investments	2,153,458	2,153,290	288,714	108,347	400,807	843,069	512,353
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-
Investments held to maturity	-	-	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	-	-
Net loans	2,823,682	2,823,682	1,193,260	1,314,605	311,412	3,249	1,156
Investments in subsidary	44,123	20,080	-	-	-	-	-
Loan convertible into shares	20,080	20,080	-	-	-	-	-
Net tangible assets	12,596	-	-	-	-	-	-
Net intangible assets	5,205	-	-	-	-	-	-
Net investment property	39,724	-	-	-	-	-	-
Other assets	12,936	-	-	-	-	-	-
Deferred tax, asset	3,210						
TOTAL ASSETS	**5,554,591**	**5,380,768**	**1,829,657**	**1,458,985**	**712,219**	**846,318**	**513,509**
LIABILITIES							
Derivatives	3,008	-	-	-	-	-	-
Due to banks	517,461	517,461	517,461	-	-	-	-
Deposits from MPF	1,647,841	1,647,841	1,647,841	-	-	-	-
Due to customers	2,305,044	2,304,997	1,093,659	519,774	623,347	65,556	2,661
Deferred income and accrued expenses	14,620	-	-	-	-	-	-
Provisions	16,104	-	-	-	-	-	-
Other liabilities	20,790	-	-	-	-	-	-
Deferred tax, liability	-	-	-	-	-	-	-
TOTAL LIABILITIES	**4,524,868**	**4,470,299**	**3,258,961**	**519,774**	**623,347**	**65,556**	**2,661**
NET ASSETS	**1,029,723**	**910,469**	**-1,429,304**	**939,211**	**88,872**	**780,762**	**510,848**

The items are distributed on time buckets, based on the residual maturity for those with fixed interest rate, or to the nearest interest rate re-pricing date, for those items with a floating interest rate.

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

40.
OWN FUNDS

The Bank's own funds and capital ratio are determined in accordance with National Bank of Romania regulations and in accordance with the provisions of Regulation (EU) No 575/2013. The Bank complies with, both in 2018 and 2017, the regulated capital adequacy ratios, respectively a total own funds rate of at least 8%, a level of own funds of level I of at least 6% and a rate of own funds of level I minimum of 4.5%. Under the current regulations, during 2017, the Bank must maintain in the own funds a base capital conservation buffer consisting of 1.875% (2019: 2,5%) of the total amount of risk exposures.

The Bank manages actively its capital base in order to cover the inherent risks of its activity. The adequacy of the Bank's capital is monitored according to the EU Regulation 575/2013, with direct application for credit institutions in Romania (some national provisions stipulated by National Bank of Romania are included in the Regulation no. 5/2013) and according to the European Directive no.2013/36/EU which is transposed into national legislation by changes to EGO 99/2006 and NBR Regulation No.5/2013.

The Bank capital adequacy supposes maintaining a proper capital base coresponding to the nature and risk profile of the Bank. To determine the adequacy of the capital it is envisaged the effect of the credit risk, the market and operational risk on the financial position of the Bank. Types and levels of risks in the Bank's activities determine to what extent capital should be kept above the minimum level required by regulations to manage any unforeseen events.

The capital requirements of the subsidiary EximAsig were calculated based on standards set by the Financial Supervisory Authority as at December 31, 2018. According to the unadjusted calculation and estimates of the subsidiary's management, on December 31, 2018, EximAsig has a minimum capital requirement required by regulatory requirements, of at least 100%.

41.
CAPITAL REQUIREMENTS

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments through valuation technique:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable market data. This category includes instruments valued using: quotes on active markets for similar instruments; quotes for similar instruments on markets considered less active; or valuation techniques where significant data can be directly or indirectly observed in market data.

Level 3: Valuation techniques based on data which is not observed in the market. This category includes all instruments whose valuation method does not include observable data, and whose unobservable data has a significant influence over the valuation of the instrument. This category includes instruments which are valuated based on market quotes for similar instruments, where unobservable adjustments or presumptions are necessary to reflect the difference between those instruments.

The following table presents the Group's financial assets and liabilities according to the fair value hierarchy:

Group - 31 december 2018	Level 1	Level 2	Level 3	Fair value	Book value
FINANCIAL ASSETS					
Accounts with the National Bank of Romania	-	-	742,684	742,684	742,684
Due from banks	-	-	792,185	792,185	792,185
Loans and advances tu customers, net	-	-	3,269,080	3,269,080	3,321,486
Trading financial instruments	68,620	-	-	68,620	68,620
Financial assets at fair value through other comprehensive income	1,656,119	9,686	1,451	1,667,255	1,667,255
Financial assets at amortised cost	527,523	-	-	527,523	556,959
Derivatives	-	4,495	-	4,495	4,495
TOTAL FINANCIAL ASSETS	**2,252,262**	**14,181**	**4,805,400**	**7,071,842**	**7,153,684**
FINANCIAL LIABILITIES					
Due to banks	-	-	435,798	435,798	435,798
Deposits from MPF	-	-	1,727,021	1,727,021	1,727,021
Derivatives	-	-	756	756	756
Due to customers	-	-	3,815,260	3,815,260	3,815,260
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**5,978,835**	**5,978,835**	**5,978,835**

Group - 31 december 2017	Level 1	Level 2	Level 3	Fair value	Book value
FINANCIAL ASSETS					
Accounts with the National Bank of Romania	-	-	206,689	206,689	206,689
Due from banks	-	-	203,634	203,634	203,634
Loans and advances tu customers, net	-	-	2,738,096	2,738,096	2,823,682
Trading financial instruments	73,909	-	-	73,909	73,909
Available for sale investments	2,102,679	50,612	167	2,153,458	2,153,458
Investments held to maturity	15,669	-	-	15,669	40,501
Derivatives	-	1,627	-	1,627	1,627
TOTAL FINANCIAL ASSETS	**2,192,257**	**50,612**	**3,148,586**	**5,391,455**	**5,501,873**
FINANCIAL LIABILITIES					
Due to banks	-	-	517,461	517,461	517,461
Deposits from MPF	-	-	1,647,841	1,647,841	1,647,841
Derivatives	-	-	3,008	3,008	3,008
Due to customers	-	-	2,304,377	2,304,377	2,304,377
TOTAL FINANCIAL LIABILITIES	**-**		**4,472,687**	**4,472,687**	**4,472,687**

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

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

Bank - 31 december 2018	Level 1	Level 2	Level 3	Fair value	Book value
FINANCIAL ASSETS					
Accounts with the National Bank of Romania	-	-	742,684	742,684	742,684
Due from banks	-	-	767,927	767,927	767,927
Loans and advances tu customers, net	-	-	3,269,080	3,269,080	3,321,486
Trading financial instruments	68,620	-	-	68,620	68,620
Financial assets at fair value through other comprehensive income	1,656,119	9,686	1,451	1,667,255	1,667,255
Financial assets at amortised cost	488,036	-	-	488,036	517,260
Derivatives	0	4,495	-	4,495	4,495
TOTAL FINANCIAL ASSETS	**2,212,775**	**14,181**	**4,781,142**	**7,008,097**	**7,089,727**
FINANCIAL LIABILITIES					
Due to banks	-	-	435,798	435,798	435,798
Deposits from MPF	-	-	1,727,021	1,727,021	1,727,021
Derivatives	-	-	756	756	756
Due to customers	-	-	3,815,354	3,815,354	3,815,354
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**5,978,929**	**5,978,929**	**5,978,929**

Bank - 31 december 2017	Level 1	Level 2	Level 3	Fair value	Book value
FINANCIAL ASSETS					
Accounts with the National Bank of Romania	-	-	206,689	206,689	206,689
Due from banks	-	-	177,027	177,027	177,027
Loans and advances tu customers, net	-	-	2,738,096	2,738,096	2,823,682
Loan convertible into shares	-	-	20,080	20,080	20,080
Trading financial instruments	73,909	-	-	73,909	73,909
Available for sale investments	2,102,679	50,612	167	2,153,458	2,153,458
Investments held to maturity	-	-	-	-	-
Derivatives	0	1,627	-	1,627	1,627
TOTAL FINANCIAL ASSETS	**2,176,588**	**52,239**	**3,142,059**	**5,370,886**	**5,456,472**
FINANCIAL LIABILITIES					
Due to banks	-	-	517,461	517,461	517,461
Deposits from MPF	-	-	1,647,841	1,647,841	1,647,841
Derivatives	-	-	3,008	3,008	3,008
Due to customers	-	-	2,305,044	2,305,044	2,305,044
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**4,473,354**	**4,473,354**	**4,473,354**

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

No transfers between levels took place in the analyzed period.

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

Financial assets

For receivables from credit institutions and NBR accounts, the amortised cost is estimated as an approximation of fair value because it represents short-term deposits and current accounts with interest rates reflecting current market conditions and no transaction costs.

Financial instruments available for sale and held-to-maturity are measured at fair value, based on the market prices of the listed securities. To determine the fair value of titles for which market prices are not available the Bank uses assessment methods based on directly observed data inputs.

Available for sale investments, or held to maturity investments are measured at fair value, based on the market price of listed investments. To determine the fair value of investments where no quoted prices are available on the market, the Bank uses valuation techniques based on directly observable data.

Financial liabilities

The amortised cost of deposits, loans and advancements granted to customers is considered to be close to their fair value because these elements have short terms for price changes, they have interest rates that reflect market conditions, and are settled without significant transaction costs.

Financial liabilities have a short tenor, the Bank/the Group estimating that their fair value is very close to the book value.

42. RELATED PARTY TRANSACTIONS

The Eximbank Group has analyzed the following criteria regarding the identification of related parties:

(a) directly or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by or is under the joint control of the Group or Bank (including parent companies and branches);

(ii) has a common interest in the Group or Bank, which offers a significant influence over the Bank;

(iii) has a joint control over the Group or Bank;

(b) the party is a Bank/Group associate (in accordance with IAS 28 Investments in associate entities definition);

(c) the party is in a joint venture where the Bank/Group is one of the participants (please see IAS 31 Interests in joint ventures);

(d) the party is a key management member of the Bank/Group;

(e) the party is a close relative of any person from points (a) – (d);

(f) the party is a controlled entity, under the joint control, significantly under the influence or has a significant voting power, directly or indirectly, by any person mentioned at points (d) or (e); or

(g) the party is a post-employment benefits plan for the Bank's employees, or for any entity that is a related party of the Bank.

Thus, the related parties are the following:

- The Insurance - Reinsurance Company EximAsig, the subsidiary of EximBank;
- The Ministry of Finance, as the main shareholder;
- Imprimeria National Company S.A., CEC BANK, Bucharest Treasury, National Lottery (starting with financial year 2017), FNGCIMM as entities controlled by the main shareholder;
- Executive and non-executive members, as well as the identified key personnel.

The key personnel consist in members whose positions grant them a significant influence in the coordination of EximBank, without however being members of the Board of Directors.

Key personnel in Eximbank consist in members of the following categories/departments:

Members of the Board of Directors

Executive Director - Treasury and Financial Markets Division

Executive Director - Corporate Division

Executive Director - Risk Division

Executive Director - Financial and Operations Division

Director - Treasury and Financial Markets Department

Director - Customers Department

Director - Strategic Customers and Project Funding Department

Director - Credit Risk Department

Financial Director - Finance and Accounting Department

Director - Conformity Department

Director - Legal Department

Manager - Internal Audit Department

Regional Director

Branch Director/Deputy Director

Agency Director

All transactions with related parties were concluded on market terms, by taking into account interest rates and commissions charged for transactions with non-related parties.

The bank entered into buy and sell transactions with fixed income securities in RON and foreign currency, issued by the Minister of Public Finance of Romania. These transactions were concluded in normal commercial terms, at market prices. The transactions with the Ministry of Finance are presented in Note 18 to these financial statements.

31.12.2018 Grup	Management and Key personnel	Public Finance Ministry	National Company Imprimeria S.A.	CEC Bank S.A.	Bucharest Treasury	National Company Romanian Lottery S.A	National Credit Guarantee Fund for SME	Local Guarantee Fund Craiova, subsidiary of FNGC IMM IFN S.A.	TOTAL
Loans and advances to banks	-	-	-	-	564	-	-	-	564
Investment in subsidiary	-	-	-	-	-	-	-	-	-
Other assets	-	1,296	-	19	-	-	-	-	1,315
TOTAL ASSETS	**-**	**1,296**	**-**	**19**	**564**	**-**	**-**		**1,879**
State funds	-	1,727,021	-	-	-	-	-	-	1,727,021
Deposits from customers - total	-	-	101,364	40,025	-	108,857	211,269	1,385	462,900
TOTAL LIABILITIES	**-**	**1,727,021**	**101,364**	**40,025**	**-**	**108,857**	**211,269**		**2,189,921**

31.12.2018 Group	Management and Key personnel	Public Finance Ministry	National Company Imprimeria S.A.	CEC Bank S.A.	Bucharest Treasury	National Company Romanian lottery S.A	National Credit Guarantee Fund for SMEs	Local Guarantee Fund Craiova, subsidiary of FNGC IMM IFN S.A.	TOTAL
Interest income	-	-	-	285	1	-	-	-	286
Interest expense	-	-37,120	-2,655	-69	-	-258	-4,889	-4	-44,995
Commission income	-	16,806	3	-	-	1	-	-	16,810
Commission expense	-	-	-	-5	-1	-	-	-	-6
Short term benefits	-18,860	-	-	-	-	-	-	-	-18,860
	-18,860	**-20,314**	**-2,652**	**211**	**-**	**-257**	**-4,889**	**-4**	**-46,585**

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

31.12.2017 Group	Management and Key personnel	Public Finance Ministry	National Company Imprimeria S.A.	CEC Bank S.A.	Bucharest Treasury	National Company Romanian lottery S.A.	FNGC IMM SA	TOTAL
Loans and advances to banks	-	-	-	-	5	-	-	5
Investment in subsidiary	-	-	-	-	-	-	-	-
State commission receivable	-	365	-	-	-	-	-	365
TOTAL ASSETS	**-**	**365**	**-**	**-**	**5**	**-**	**-**	**370**
State funds	-	1,647,841	-	-	-	-	-	1,647,841
Deposits from customers - total	-	-	86,686	-	-	74,563	132,466	293,715
TOTAL LIABILITIES	**-**	**1,647,841**	**86,686**	**-**	**-**	**74,563**	**132,466**	**1,941,556**
31.12.2017 Group	**Management and Key personnel**	**Public Finance Ministry**	**National Company Imprimeria S.A.**	**CEC Bank S.A.**	**Bucharest Treasury**	**National Company Romanian lottery S.A.**	**FNGC IMM SA**	**TOTAL**
Interest income	-	-	-	58	-	-	-	58
Interest expense	-	-14,324	-465	-6	-	-513	-1,598	-14,795
Commission income	-	4,627	7	-	-	10	1	4,634
Commission expense	-	-	-	-	-1	-	-	-1
Short term benefits	-13,970	-	-	-	-	-	-	-13,970
	-13,970	**-9,967**	**-458**	**52**	**-1**	**-503**	**-1,597**	**-24,074**

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

31.12.2018 Bank	Management and Key personnel	Insurance - Reinsurance EXIMASIG S.A.	Public Finance Ministry	National Company Imprimeria S.A.	CEC Bank S.A.	Bucharest Treasury	National Company Romanian lottery S.A.	National Credit Guarantee Fund for SMEs	Local Guarantee Fund Craiova, subsidiary of FNGC IMM IFN S.A.	TOTAL
Loans and advances to banks	-	-	-	-	-	564	-	-	-	564
Investment in subsidiary	-	34,047	-	-	-	-	-	-	-	34,047
Other assets	-	-	1,296	-	19	-	-	-	-	1,315
TOTAL ASSETS	**-**	**34,047**	**1,296**	**-**	**19**	**564**	**-**	**-**	**-**	**35,926**
State funds	-	-	1,727,021	-	-	-	-	-	-	1,727,021
Deposits from customers - total	-	94	-	101,364	40,025	-	108,857	211,269	1,385	462,994
TOTAL LIABILITIES	**-**	**94**	**1,727,021**	**101,364**	**40,025**	**-**	**108,857**	**211,269**	**1,385**	**2,190,015**

31.12.2018 Bank	Management and Key personnel	Insurance - Reinsurance EXIMASIG S.A.	Public Finance Ministry	National Company Imprimeria S.A.	CEC Bank S.A.	Bucharest Treasury	National Company Romanian lottery S.A.	National Credit Guarantee Fund for SME	Local Guarantee Fund Craiova, subsidiary of FNGC IMM IFN S.A.	TOTAL
Interest income	-	1,120	-	-	285	1	-	-	-	1,406
Interest expense	-	-	-37,120	-2,655	-69	-	-258	-4,889	-4	-44,995
Commission income	-	-	16,806	3	-	-	1	-	-	16,810
Commission expense	-	-	-	-	-5	-1	-	-	-	-6
Short term benefits	-16,833	-	-	-	-	-	-	-	-	-16,833
	-16,833	**1,120**	**-20,314**	**-2,652**	**211**		**-257**	**-4,889**		**-43,618**

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

31.12.2017 Bank	Management and Key personnel	Insurance - Reinsurance EXIMASIG S.A.	Public Finance Ministry	National Company Imprimeria S.A.	CEC Bank S.A.	Bucharest Treasury	National Company Romanian lottery S.A.	FNGC IMM SA	TOTAL
Loans and advances to banks	-	-	-	-	-	5	-	-	5
Investment in subsidiary	-	44,123	-	-	-	-	-	-	44,123
State commission receivable	-	-	365	-	-	-	-	-	365
TOTAL ASSETS	**-**	**44,123**	**365**	**-**	**-**	**5**	**-**	**-**	**44,493**
State funds	-	-	1,647,841	-	-	-	-	-	1,647,841
Deposits from customers - total	-	667	-	86,686	-	-	74,563	132,466	294,382
TOTAL LIABILITIES	**-**	**667**	**1,647,841**	**86,686**	**-**	**-**	**74,563**	**132,466**	**1,942,223**
31.12.2017 Bank	**Management and Key personnel**	**Insurance - Reinsurance EXIMASIG S.A.**	**Public Finance Ministry**	**National Company Imprimeria S.A.**	**CEC Bank S.A.**	**Bucharest Treasury**	**National Company Romanian lottery S.A.**	**FNGC IMM SA**	**TOTAL**
Interest income	-	430	-	-	58	-	-	-	488
Interest expense	-	-6	-14,324	-465	-6	-	-513	-1,598	-16,912
Commission income	-	1	4,627	7	-	-	10	1	4,646
Commission expense	-	-	-	-	-	-1	-	-	-1
Short term benefits	-12,738	-	-	-	-	-	-	-	-12,738
	-12,738	**425**	**-9,967**	**-458**	**52**	**-1**	**-503**	**-1,597**	**-24,517**

43. SUBSEQUENT EVENTS

During 2019, until signing these financial statements, there were no significant subsequent events which could have impacted the financial statements.

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Traian Sorin Halalai
Chief Executive Officer

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Florian Raimund Kubinschi
Deputy CEO

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

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