LIBRA INTERNET BANK

www.librabank.ro

ANNUAL REPORT

2016

Foreword

In 2016, we continued our upward trend. The bank had a very good performance, a profit of over RON 32 million and a constant increase in market share. The client is the focus of our concerns; we pay attention to suggestions and also to complaints, in order to learn how to be better for our customers. Finally, our focus on technology is a major priority for LIBRA INTERNET BANK. We are looking forward to the new challenges brought about by digitization on the Romanian bank market.

I would like to give special thanks to our clients, for the trust they put in us, to all the bank employees, for the fact that they constantly go forward and of course to the shareholders, for the firm support they gave us.

Emil Bituleanu

General Manager of LIBRA INTERNET BANK

2016 Milestones

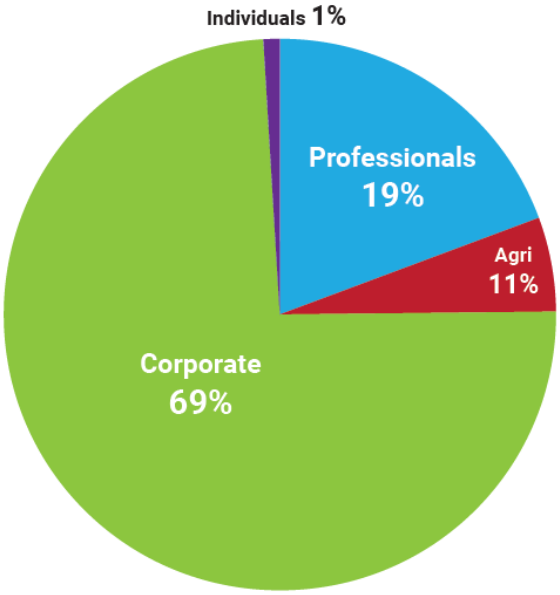
OUTSTANDING FINANCIAL RESULTS

For LIBRA INTERNET BANK, the financial and operational review of 2016 could be truly deemed to be remarkable, whereas the profit amounting to **RON 32.5 million** could be considered as a record throughout our bank's two decades of activity, and the net assets, doubles in the past two years, reached a value of Ron **3.39 billion**.

"*2016 was another consecutive year of constant and balance growth for Libra Internet Bank. We managed to reach our ambitious goals, we obtained a record profit, and we continued to launch innovating products, as a premiere on the Romanian bank market*" stated Emil Bituleanu, General Manager of Libra Internet Bank.

The balance of our sources amounted to **RON 3.04 billion**, and the balance of loans amounted to **RON 2.09 billion**. As compared to the average rate of 9.46% of non-performing loans on the bank market, from December 2016, the decrease thereof to 3% is another remarkable success for LIBRA INTERNET BANK.

A particular feature of its territorial network of **48 branches** is the specialization in supporting certain fields such as the liberal professions, SMEs, corporate and the farming businesses. Another aspect that makes us stand out as compared to other banks is our own digital channel, meant to offer any Romanian citizen from the country and from the entire European Union the facility of opening a bank account and of obtaining a card or a paperless loan, without going to the bank.



"*As regards 2016, we need to single out the real estate and the corporate and agribusiness sectors. In the grand picture, we have a balanced portfolio, allowing us to be optimistic in capitalizing our growth opportunities in the following period*", stated Cristina Mahika-Voiconi, Deputy General Manager of Libra Internet Bank.

LOANS/DEPOSITS RATIO

In 2016, Libra Internet Bank had a significant growth which was evenly distributed. Thus, the loan/deposit ratio reached a level of 72.7% in December 2016, while the market average was a little above 79%.

THE ONLINE LOAN

For the first time in Romania, Libra Internet Bank launched on the bank market a credit product **100% online**, whereby any individual can get a consumer loan without going to the bank and without further formalities.

"*Just like for online accounts, that we launched in 2014, we have succeeded once again to be the first banking institution in Romania to offer an exclusively online loan, due to our bank's focus on the digital banking sector*", stated Emil Bituleanu, General Manager of Libra Internet Bank.

The loan is available to Romanian nationals, residing in Romania, aged between 19 and 59. The clients may obtain amounts ranging from RON 1000 to RON 20,000, with a variable interest rate ROBOR 3M + fixed margin of 8.89%, for a maximum term of 5 years.

The loan granting process, which is extremely easy, is available for anyone. The clients can quickly open an online account, that they activate themselves by making an initial transfer of RON 1. Afterwards, they may apply for the online loan in the banking or mobile banking application, they receive the offer by email, and they accept it with a click in the banking or mobile banking application. Afterwards the money is credited immediately to their account. It is entirely paperless, no trips to the bank needed.

The product was awarded the prize of "*2016 retail loan product*" in the **Mastercard Bank Awards Gala of the Year**.

T24 UPGRADE

At the end of 2016, LIBRA INTERNET BANK successfully completed the update of the new version **R15** of the central electronic system **T24** from Temenos. The bank implemented the core-banking solution in 2008 and it constantly optimized it ever since.

This IT system upgrade speeds up operations processing for the bank clients, thus carrying out all operations under improved operating conditions, and allowing the entry of new modules and functions.

The project was highly ambitious and it was implemented in just 5 months, based solely on the in-house IT and business resources of the bank.

"*LIBRA INTERNET BANK is one of the loan institutions of the Romanian banking system using T24 and we chose Temenos because is a well-established supplier, with top products serving our purpose of constantly keeping up with the newest technologies. The implementation of this version is an investment in top technology which can continue to*

support our bank's growth", stated Cristian Petrec, Deputy General Manager of Libra Internet Bank.

Temenos Group is one of the international software market leaders, with a client portfolio of more than 2000 companies worldwide, including 38 of the 50 top banks.

Temenos's clients have a high profitability degree as compared to the banks using older software; during a 7-year period, they obtained a return on assets by 31% higher, and a return on equity by 36% higher, with a cost-revenue ratio by 8.6% lower.

CARD MIGRATION

In order to improve the services provided to our bank's clients, all cards migrated to a new processor in the first part of 2016. The project was completed in three months, owing to the special involvement of several bank departments, coordinated by the Cards Department.

Further to the migration process, user experience improved a lot, particularly by introducing the contactless technology. Moreover, this migration lead to a significant decrease in operating errors.

"The card migration project is an important milestone in our growth strategy in the card sector. We have a highly competitive product portfolio on a business level, and it now includes he latest technology", stated Eugen Goga, Deputy General Manager.

SEPA

The implementation of SEPA standards is based on the provisions under the Directive on payment services – Directive 2007/64/EC on payment services in the internal market and of EU Regulation No. 260/2012 of the European Parliament.

Libra Internet Bank thus proceeded to implement this project ever since January 2016. Thus, payments by credit transfer initiated by the bank clients, in SEPA format, currently have offset terms of one business day at the most, whereas the processing is automated by electronic processing systems from the payment initiator to the end beneficiary. Another advantage is that the beneficiary gets the full amount. These benefits were supplemented by the decrease in bank commission fees, due to the lower costs related to payments made via this channel.

New branches in 2016

February: The second bank branch opened in Constanta, at 132 Tomis Boulevard. "We want to be as close as possible to our clients in Constanta, where we know there is business potential, but also a quick development pace", stated Emil Bituleanu, General Manager of Libra Internet Bank, on the occasion of the event.

May: The bank consolidated its presence in the Western part of the country, by adding two new branches, in Timisoara and Arad. The Timisoara branch is located at 73-77 Simion Barnutiu, and it is the second branch in the city, while the Arad branch is located at 89 Revolutiei Boulevard.

Barnutiu Branch in Timisoara

August: The **Piatra Neamt** branch, which was 10 years old, was relocated to a new address: F1 Decebal Boulevard, close to the former address.

Arad Branch

October: The second branch was opened in **Ploiesti**, at 1 Republicii Boulevard. The new branch is dedicated to the agribusiness and corporate segments.

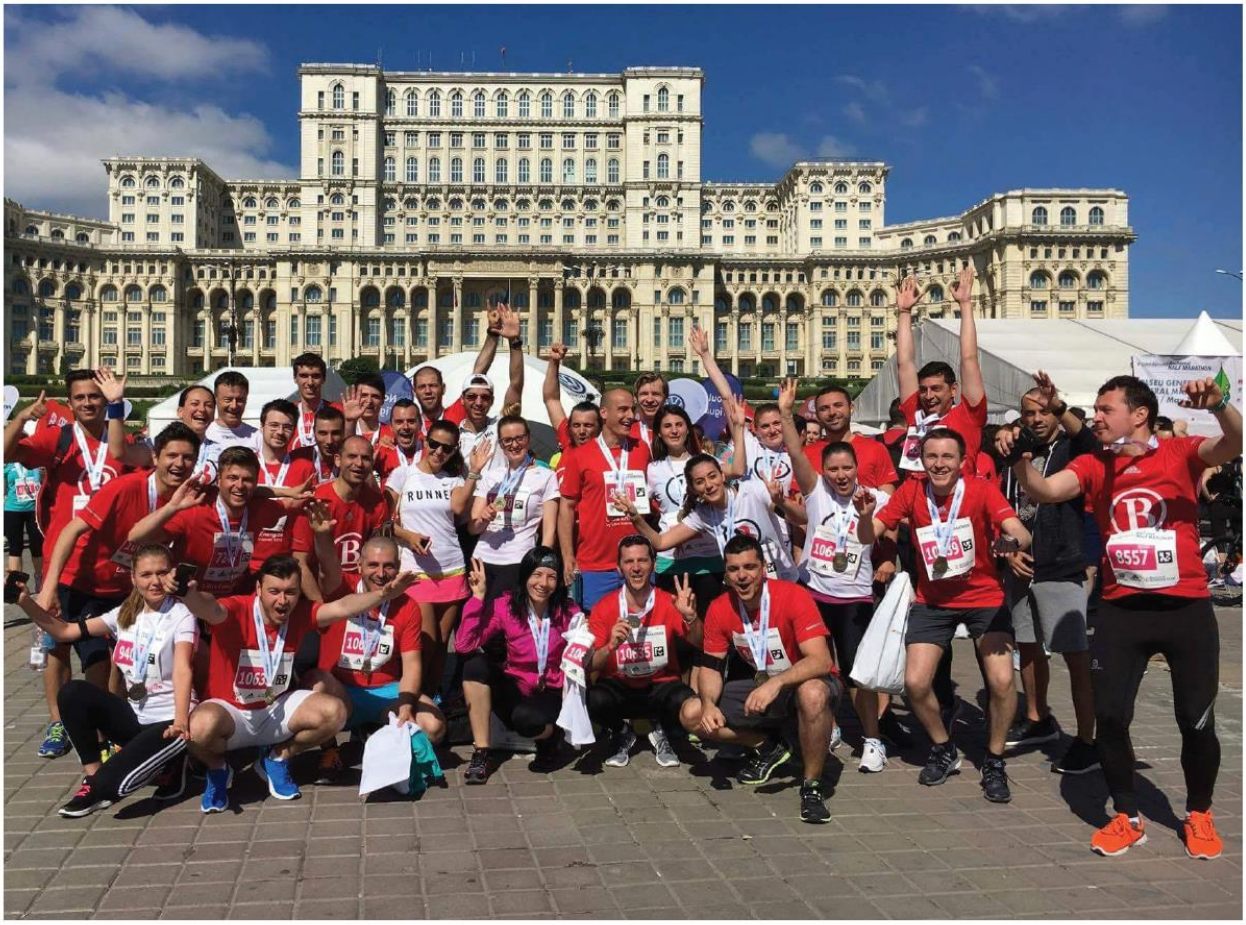
December: The first specialized branch "International Desk" was opened at 111-113 Calea Dorobantilor Ave. in Bucharest. "Through this branch, we intend to be as close as possible to the foreign business community. We are confident in this market's potential and we want to offer the best services for the clients in this sector", stated Selcuk Senkaya, Senior Manager, coordinator of the Large Corporate and International Desk Department, within the event. The Greek Desk and the Israeli Desk have already been established in this branch.

At the end of 2016, Libra Internet Bank had a network of 48 branches, of which almost half in the capital, while the rest are located in the other significant cities throughout the country, with good territorial coverage.

LIBRA ENERGIZE

Libra Energize is one of the projects that belongs to the Employer Brand, and it renders several significant traits of organization culture: ambition, desire to win and team spirit.

Starting from this concept, Libra Energize proved in practice its efficiency from one edition to the next, improving mutual knowledge and employee cohesion, and this breath of fresh air for the professional climate revitalized work productivity and extended significantly the seniority and stability of the staff in Libra Internet Bank. These positive effects were valid as well for the branch employees, particularly in the rural areas.



2016 Awards

Online Banking Gala

Best results for corporate clients in 2016

Libra Internet Bank was awarded the prize for the best performance on the internet banking market for corporate clients, in the Online Banking Gala organized by “Piata Financiara” Magazine.

The advantages for the individual clients using Libra’s internet banking application:

- ✓ processing of operations 24/7
- ✓ multiple-rights signatures, for managing and authorizing operations
- ✓ no internet or mobile banking tax
- ✓ commission fee discounts for payments made by internet or mobile banking: a single RON 1 commission fee for interbank payments and RON 3 for standard interbank payments
- ✓ real time assistance by live chat
- ✓ templates for frequent payments, multiple payment orders, Investigator access and many others.

Mastercard Bank of the Year

Libra Internet Bank was awarded the prize for “2016 retail loan product” for online loans.

Innovating facilities of the loan product:

The innovation consists in the fact that we are offering our clients the possibility to obtain a credit card Mastercard Gold, with a limit of up to RON 20,000, exclusively online, with no papers and no trips to the bank

The process is very quick and it comprises a few simple steps, all carried out online:

- ✓ the client connects via the internet banking application
- ✓ the client fills in the requested data
- ✓ the visual check-up of the applicant is performed via webcam
- ✓ the application is taken over online, and the approval is issued in just a few minutes
- ✓ the client signs the agreement in the internet banking application, and the card is delivered to the specified address (at home or at the office)

LIBRA INTERNET BANK S.A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AS ENDORSED BY EUROPEAN UNION

(Including the Independent Auditor's Report and Administrator's Report)

Deloitte

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INDEPENDENT AUDITOR'S REPORT

To the Board and Shareholders of Libra Internet Bank SA Bucharest, Romania

Opinion

1. We have audited the financial statements of Libra Internet Bank S.A., (the "Bank"), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
2. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with *International Financial Reporting Standards as adopted by the European Union and National Bank of Romania Order no. 27/2010, with subsequent amendments ("Order 27/2010")*

Basis for Opinion

3. We conducted our audit in accordance with International Standards on Auditing adopted by the Chamber of Auditors of Romania (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on conformity of the Administrator's Report with the Financial Statements

4. In accordance with Order of the National Bank of Romania Governor no. 27/2010, article 16.1, point e, we have read the Administrator's Report attached to the financial statements. The administrator's report is not a part of the financial statements. In the Administrator's report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements.

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

5. Management is responsible for the preparation and fair presentation of the financial statements in accordance with *International Financial Reporting Standards as adopted by the European Union and Order 27/2010* and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

7. 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 auditor's 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 hot for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's 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 auditor's report. However, future events or conditions may cause 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.

8. 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.

The engagement partner on the audit resulting in this independent auditor's report is Petr Pruner.

Petr Pruner, Audit Partner

signature

Registered with the Romanian Chamber of Financial Auditors under no. 4147/11.01.2012

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Romanian Chamber of Financial Auditors under no. 25/25.06.2001

Bucharest, Romania March 24, 2017

LIBRA INTERNET BANK S.A.

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016 (all amounts are expressed in "RON", unless otherwise specified)

	Note	Year ended on 31 December 2016	Year ended \on 31 December 2015
Interest income	4	156,119,047	126,544,848
Interest expenses	4	(33,164,521)	(33,883,550)
Net interest income		**122,954,526**	**92,661,298**
Fee and commission income	4	22,050,678	22,826,777
Fee and commission expense	4	(9,385,101)	(7,535,467)
Net fee and commission income		**12,665,577**	**15,291.310**
Other operating income	5	**25,619,045**	**20,688,605**
Total operating income		**161,239,148**	**128,641,212**
Operating expenses	6	(98,482,146)	(81,919,871)
Net charge for provision for loans and advances to customers	7	(24,482,247)	(19,278,107)
Net charge for provision for financial assets	7	-	6,442
Net charge for risks other commitments	7	(898,753)	(423,748)
Total operating expenses		**(123,863,146)**	**(101,615,284)**
Profit before tax		**37,376,002**	**27,025,929**
Income tax	3	(5,313,208)	(1,706,551)
Deferred tax income/expense	3	439,123	(1,465,174)
Net profit		**32,501,917**	**23,854,203**
Other comprehensive income to be reclassified as profit and loss in subsequent periods			
Net gain from financial assets available for sale		923,897	8,226,576
Total comprehensive income, aftertax		**33,425,815**	**32,080.779**

These financial statements were approved by management on March 15, 2017.

Eugen Goga, vice president, signature and seal Doina Andrei, head of Finance Division, signature

LIBRA INTERNET BANK SA
STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2016 (all amounts are expressed in RON unless otherwise specified)

Assets	Notes	December 31 2016	December 31 2015
Cash and deposits at bans	8	188,715,572	160,216,859
Current accounts and deposits with the National Bank of Romania	9	621,153,220	413,631,180
Loans and advances to customers, net	10	2,091,029,098	1,353,907,183
Investments	12	419,321,215	454,097,535
Fixed tangible and intangible assets	13	9,653,815	8,795,163
Income tax to be recovered (prepaid)		-	2,807,573
Deferred tax assets	3	263,142	-
Other assets	11	61,958,343	46,980,978
Total assets		**3,392,094,404**	**2,440,436,471**
Liabilities		70,509,462	
Deposits from other banks			
Customers' deposits and savings accounts	14	2,945,451,962	2,175,972,709
Loans from financial institutions	15	32,186,304	21,782,678
Deferred tax liabilities	3	-	1,509,460
Accrued interests and other liabilities	16	27,219,815	5,988,048
Income tax payable		2,734,440	-
Total liabilities		**3,078,101,983**	**2,205,252,895**
Equity			
Share capital	17	295,749,200	241,649,200
Retained earnings and reserves		18,243,221	(6,465,624)
Total equity		**313,992,421**	**235,183,576**
Total liabilities and equity		**3,392,094,405**	**2,440,436,471**

These financial statements were approved by management on March 15, 2017.
Eugen Goga, vice president, signature and seal Doina Andrei, head of financial division, signature

The accompanying notes are an integral part of these financial statements.

LIBRA INTERNET BANK SA
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2016 (all amounts are expressed in RON, unless otherwise specified)

	Notes	December 31 2016	December 31 2015
Cash flows from operating activities:			
Profit before tax		**37,376,002**	**27,025,929**
Adjustments for non-cash items:			
Amortization and depreciation	13	2,760,231	2,734,493
Provisions for litigations	7	-	423,748
Provisions for loans to customers and other assets	7	25, 295, 931	19,278,107
Divided income	5	(485,036)	(2,244,532)
Loss/Gain on disposal of fixed assets	13	2,476,929	3,163,493
Provisions for impairment on investment	7	85,069	6,442
Profit tax expense		**(5,395,149)**	-
Operating profit before changes in operating assets and liabilities		**62,113,995**	**50,387,663**
Increase/decrease in balances with The National Bank of Romania		(207,522,040)	(4,787,115)
Increase/decrease in other assets		(15,876,118)	(30,919,403)
Increase/decrease in other liabilities		21,231,767	(6,760,589)
Increase/decrease in customer accounts and deposits		769,479,253	697,201,642
Increase/decrease in loans and advances to customers		(766,529,724)	(317,893,298)
Increase deposits from other banks		70.509.462	-
Profit tax paid		-	(3,589,125)
Increase/decrease in deferred tax liability		**1,772,602**	**-**
Net cash (used)/generated by operating activities		**(64,820,803)**	**383,642,775**
Cash flow from investment activities:		(6,095,778)	(5,789,346)
Purchase of securities available for sale		(25,908,671)	(245,887,054)
Dividends received	5	485,036	2,244,532
Net cash provided by investment activities		**(31,519,413)**	**(249,431,868)**
Cash flow from financing activities:		54,100,000	10,000,000
Proceeds from issue of share capital			
Loans from financial institutions		10,403,626	-
Net cash provided by financing activities		**64,503,626**	**31,782,678**

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2016 (all amounts are expressed in RON, unless otherwise specified)

	Notes	December 31 2016	December 31 2015
Net increase in cash and cash equivalents		**(**31,836,590)	165.993.585
Cash and cash equivalents, beginning of year		**269.257.425**	**103.263.840**
Effect of exchange rate fluctuations on cash and cash equivalents		**(264,619)**	
Cash and cash equivalents, end of year		**237.156.216**	**269.257.425**

Interests received by the Bank during the year ended 31 December 2016 and 31 December 2015 amounted to 113,561,874 RON, and 112,256,528 RON. Interests paid by the Bank during the year ended 31 December 2016 and 31 December 2015 amounted to 43,295,093 RON, and 41,890,402 RON respectively.

In cash and cash equivalents are included the investments in securities of 48,440,644 RON with maturity of up to 3 months.

Eugen Goga, vice president, signature and seal

Doina Andrei, head of Finance Division, signature

LIBRA INTERNET BANK SA

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

(all amount are expressed in RON unless otherwise specified)

	Share capital	Legal reserve	General risk reserve	Fair value reserve	Earnings	Total
Balance as of January 1, 2015	**231,649,200**	**2,177,858**	**659,463**	**1,207,547**	**(41,081,812)**	**194,612,256**
Share capital increase	10,000,000	-	-	-	-	10,000,000
Transfer of legal reserves	-	1,351,296	-	-	(1,351,296)	-
Change in fair value of available for sale financial assets	-	-	-	8,226,577	-	8,226,577
Other reserves	-	-	-	-	-	-
Profit for the year	-	-	-	-	23,854,203	23,854,203
Deferred taxes corresponding to the revaluation of financial assets	-	-	-	1,509,460	-	1,509,460
Balance as of December 31, 2015	**241,649,200**	**3,529,154**	**659,463**	**7,924,463**	**(18,578,904)**	**235,183,576**
Share capital increase	54,100,000	**-**	**-**	**-**	**-**	54,100,000-
Transfer of legal reserves	-	1,868,800	-	-	(1,868,800)	-
Change in fair value of available for sale financial assets	-	-	-	(7,000,766)	-	(7,000,766)
Other reserves	-	-	-	-	-	-
Profit for the year					32,501,916	32,501,916
Deferrred taxes for corresponding to the revaluation of financial assets	-	-	-	-	792,261	792,261
Other reserves	-	(44)	-	-	-	-
Balance as of December 31 2016	**295,749,200**	**5,397,910**	**659,463**	**923,898**	**11,261,951**	**313,992,422**

These financial statements were approved by management on March 15, 2017.

Eugen Goga, vice president, signature and seal Doina Andrei, head of financial division, signature

LIBRA INTERNET BANK S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2016
(all amounts are expressed in "RON", unless otherwise specified)

1. GENERAL OVERVIEW

Libra Internet Bank SA ('the Bank") was incorporated in Romania in 1996 and is licensed by the National Bank of Romania to conduct all commercial banking activities. The Bank mainly performes retail banking operations in Romania through its head office and its 43 branches located in Romania's main cities.

The Ban corporate banking activities consists of: loans granting, deposits attracting and cash management. The Bank offers standard banking products and products related to foreign trade transactions, including payment orders, issuance of letters of credit and guarantees. The Bank offers a comprehensive range of banking services for individuals: current and term deposits, loans, domestic and international money transfers and payment orders, cards, electronic payment.

As Bank's operations do not have significantly different risks and returns, and taking into account that the regulatory environment, the nature of its services, the business process, as well as the types of customers for the bank's products and services, as well as the methods used for providing services, are homogenous for all Bank's activities, the Bank operates as a single business segment unit and its activities are exclusively carried out in Romania.

The Bank's registered head office is located in Semilunei Street, no. 4-6, Bucharest, Romania.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

2.1. Basis of preparation

The financial statements have been drafted in accordance with the International Financial Reporting Standards ("IFRS") and interpretations adopted by International Accounting Standards Board ("IASB"). The primary accounting policies applied in the drafting of these financial statements are set out below and have been consistently applied to all periods presented.

The accompanying financial statements are prepared in terms of the purchasing power of the Romanian Lei ("RON") as of December 31, 2016 and are expressed in Romanian Lei ("RON"). The Bank's management assessed the functional currency of the Bank to be RON, which is also the presentation currency of these financial statements

Basis of measurement

The financial statements have been drafted based on the historical cost basis except for the available for-sale financial assets which are measured at fair value.

2. SUMMARY OFSIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Standards and interpretation effective in the current period

Initial application of new amendments to the existing standards effective for the current reporting period

• The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures**" **-** Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016**),**
- **Amendments to IFRS** 11 **"Joint Arrangements"** - Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS** 1 **"Presentation of Financial Statements"** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),

• **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" bearer plants- adopted by EU on** November 23, 2015 (effective for annual periods beginning on or after 1 January 2016),

• **Amendments to IAS** 19 **"Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),

• **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),

• **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"**resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFR 13, IAS 16, IAS 24 and IAS 38) with a general scope to remove inconsistencies and clarifying wording- adopted by the EU on 17 December 2014 (amendments are to be applied for annual period beginning on or after 1 February 2015)

- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards has not led to any material changes in the Bank's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1. Basis of preparation (continued)

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following new standards and amendments to standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018): the Bank has started the IFRS 9 implementation contracting a consultancy from KPMG in 2016 and it was established a - schedule for finishing the SPPI test (Solely payments of principal and interest on the principal amount outstanding), implementation Provision model and implementation of new changes in Charter of accounts and internal procedures/methodologies. At 15 March 2017 the Bank is performing the last SPPI tests.

However, based on its preliminary assessment, the Bank expects that substantially all of financial assets classified as loans and receivables under IAS 39 will continue to be measured at amortized cost under IFRS 9.
It is expected that deposits from customers will be continued to be measured at amortized cost under IFRS 9.
It is expected that the new expected credit loss model under IFRS 9 will increase the impairment losses at the date of initial application.
The Bank is not yet able to quantify the expected impact that the initial application of IFRS 9 will have on its IFRS statements.

- **IFRS 15 "Revenue from Contracts with Customers"** and **Amendments to IFRS 15 "Effective date of IFRS 15"** - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018): The management didn't complete its initial assessment of the potential impact of IFRS 15 on the Bank's financial statements. However, management does not expect that IFRS 15, when initially applied, will have material impact on the Bank's financial statements due to the nature of the Bank's operations and the types of revenues it earns.

New standards and amendments to the existing standards issued bv IASB but not yet adopted by EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accountina Standards Board (IASB), except for the following new standards, the amendments to the existing standards and the new interpretations that have not been approved for using within EU on March 15 2017 (the effective dates stated below is for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard**,**
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 2 "Share-based Payment" –Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or
  after 1 January 2018

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2.1 Basis of preparation (continued)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

- Amendments to IFRS 4 "Insurance Contracts" –Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"- Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),**
- **Amendments to IAS 7 "Statement of Cash Flows"**- Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 "Income Taxes"**- Recognition of Deffered Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 40 "Investment Property"**- transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018",
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarify wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

The Bank anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Bank in the period of initial application, expect for IFRS 16. It is expected that IFRS 16, when initially applied, will have an impact on the financial statements, since it will require the Bank to recognise in its statement of financial position assets and liabilities relating to operating leases for which the Bank acts a lessee.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Bank's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant **to IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements, if applied as at the balance sheet date.

2.1. Basis of preparation (continued)

- **Amendments to IFRS 10 "Consolidated Financial Statements"** and **IAS 28 "Investments in Associates and Joint Ventures"**- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has beeen concluded),
- **Amendments to IAS 12 "Income Taxes"**- Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

The Bank has chosen not to adopt these standards, revisions and interpretations before their effective date. The Bank's management anticipates that the adoption of these Standards and Interpretations in the future will have no significant impact on the Bank's financial statements, except for IFRS 9 which refers to the classification and the calculus of financial assets. IFRS 9 "Financial Instruments" uses a single approach to determine whether a financial asset is carried at its cost, except for depreciation or at fair value, replacing the many different rules in IAS 39. The IFRS 9 approach is based on how an entity manages the financial instruments (its business model) and the cash flow characteristics of the financial instrument. The new standard also requires the use of a single method of depreciation which replaces various methods of impairment under IAS 39.

2.2. Main reasons for uncertainty regarding estimates

The presentation of financial statements in conformity with IFRS requires the Bank's management to analyze the estimates and assumptions that affect the reported amounts of assets and liabilities and the presentation of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The actual results may differ from those estimates and future changes considering the economic conditions, business strategies, regulatory requirements, accounting rules and/or other factors affecting changes in estimates which may have a significant impact on the reported financial position and the results of operations. Significant areas of subjective analysis include:

- Regarding the current economic climate, based on the information currently available, the management has considered all relevant factors that may affect the valuation and depreciation of assets and liabilities of these financial statements, the impact on liquidity, funding of operations of the Bank and other effects that these may have on the financial statements. All these effects, when applicable, have been reflected in these financial statements. The Bank's management continues to monitor the situation and the consequent impact of the financial crisis and economic downturn on its operations.
- Provisioning the incurred credit losses and identified contingencies involve many uncertainties about the outcome of those risks and requires the Bank's management to make subjective judgments in estimating the value of the losses. The Bank creates provisions for impairment of loans and receivables for which there is objective evidence that, as a result of past events, the estimated future cash flows are negatively affected. These provisions are based on current and past experience of the Bank with default rates, the recovery rates of loans or the time required between a credit loss and non-reimbursement event, as well as subjective analysis of the Bank's management in regard to the estimated future cash flows. In the current economic conditions, the outcome of these estimates may differ from the provisions for impairment as at 31 December 2016 and the difference may be significant.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2.2. Main reasons for uncertainty regarding estimates

- . The rules and regulations of income tax have undergone significant change in recent years and there is little historical precedent or significant interpretative analysis for a number of complex issues affecting the banking industry. Also, tax authorities have broad powers to interpret the application of tax laws and regulations during the examination of taxpayers. Consequently, there is a high level of inherent uncertainty regarding the outcome of examinations conducted by the tax authorities.

2.3. Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.4. Conversion of foreign currency

Transactions denominated in foreign currency are recorded at the exchange rate ruling at the transaction date. Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in income statement at the date of settlement using the exchange rate ruling on that date.

Monetary assets and liabilities denominated in foreign currency are expressed in RON at the balance sheet date.

The exchange rates applicable at the end of the periods for major foreign currencies are as follows:

	USD /RON	EUR/RON
31 December 2016	4,3033	4,5411
31 December 2015	4,1477	4,5245

Unrealized foreign currency gains/ (losses) arising from the translation of monetary assets and liabilities, and realised gains/ (losses) from dealing transactions in foreign currencies are reported in the income statement in line Other operating income'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5. Interest and similar income and expense

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Loan origination fees for loans which are probable of being drawn down, are deferred and recognized as an adjustment to the effective yield of the loan and as such adjust the interest income.

When loans become impaired, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

2.6. Fees and commission income and expense

Fees and commission income are comprised mainly of fees receivable from customers for loans and guarantees granted and other services provided by the Bank, together with commissions for foreign and domestic payment transactions.
Fees and commissions are generally recognised on an accrual basis.
Other fees recevable are recognised when earned. Dividend income is recognised when earned.

2.7. Financial instruments

Financial assets and financial liabilities recorded on the balance sheet include cash and cash equivalents, securities, loans to customers, trade and other accounts receivable and payable, long-term loans, deposits and investments. The accounting principles for these items are disclosed in the respective accounting policies.

The Bank recognizes the financial assets and liabilities in its balance sheet when and only when, they become a part of the contractual provisions of the instrument.

The financial assets and liabilities held by the Bank are categorized into portfolios in accordance with the Bank's intent on the acquisition and pursuant to the Bank's investment strategy. Financial assets are classified as "Assets available for sale" or as "Loans and receivables".

The principal difference among the portfolios relates to the measurement of financial assets and the recognition of their fair values in the financial statements as described below.
Regular transactions with financial instruments are accounted for at the date when they are transferred (settlement date). At the date of the settlement, if the underlying asset or liability is not recognized until its settlement, the changes in fair value of the asset or liability are recognized as starting from the trade date.
If a financial asset or financial liability is recognized initially, the Bank measures it at its fair value plus, in the case of a financial asset or financial liability, not at a fair value through profit or loss, transaction costs that may be directly attributed to the acquisition or issue of the financial asset or financial liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7.1. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than: (a) those that the Bank intends to sell immediately or in the near term which shall be classified as held for trading and those that the Bank upon initial recognition designates as at fair value through profit or loss; (b) those that the Bank upon initial recognition designates as available for sale; or (c) those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration which shall be classified as available for sale.

This portfolio comprises loans provided to customers.

Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction as well as fees received from customers. Loan origination fees for loans which are probable of being drawn, are deferred (together with related direct costs) and recognized as an adjustment to the effective yield of the loan and as such adjust the interest income.

An allowance for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans. Loan loss allowances are assessed with reference to the credit standing and performance of the borrower and take into account the value of any collateral or third party guarantees.

For the purposes of evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers counter party type and past-due status). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

For loans and receivables that are individually significant, impairment and non-recoverability are measured and recognized at the level of each element analyzed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

2.7.2Assets available for sale

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

This portfolio comprises equity and debt securities. Subsequent to initial recognition, available- for-sale financial assets are re-measured at fair value based on quoted prices or amounts derived from cash flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value of future cash flows and the fair value of unquoted equity instruments is estimated using applicable price/earnings or price/cash flow ratios refined to reflect specific circumstances of the issuer.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost minus impairment.

For available-for-sale assets, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Interest earned whilst holding available-for-sale securities is accrued on a daily basis using the effective interest rate methoid and reported as “Interest income” in the income statement.

Dividends on securities available for sale are recorded as declared and included as a receivable in the balance sheet line “Other assets” and in “Other operating income” in the income statement. Upon payment of the dividend, the receivable is offset against the collected cash.

2.8. Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the National Bank of Romania with remaining maturity within 90 days, advances to banks and government securities denominated in lei with remaining maturity within 90 days. For purposes of determining cash flows, the minimum reserve deposit required by the National Bank of Romania in not included as a cash equivalent because of the imposed restrictions on its availability.

2.9 Fixed tangible and intangible assets

Fixed assets are recorded at their book value that includes the amount for the acquisition, transportation and installation of the object. Each fixed asset with acquisition costs over RON 2,500 and useful life estimated greater than one year is capitalized. Fixed assets with acquisition costs less than 2,500 RON are classified as small tools and written off.

Expenses related to fixed assets current repairs and maintenance are considered as expenses of the reporting period. Expenses related to fixed assets capital repairs are considered as capital investmens and are applied as cost increase of repaired building only in the event that as a result of capital repairs term of its effective operation, its market value or productivity increased.

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9. Fixed tangible and intangible assets (continued)

Fixed assets depreciation and intangible assets amortization is calculated beginning with the first day of their putting into operation. It is calculated on straight-line basis at the following annual agreed rates:

Buildings	2%
Equipment, fixtures and fittings	5-20%
Vehicles	20%
Others	6.67%-3.34%
Software	33.33%

At the balance sheet date, the Bank reviewes the carrying value of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where the carrying value of premises, equipment and intangible fixed assets is greater than the estimated recoverable amount, it is written down immediately to the estimated recoverable amount through the statement of profit and loss. At balance sheet date, the Bank also assesses whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset. If the estimated recoverable amount exceeds the carrying value of an asset, a reversal of an impairment loss is recognised in the statement of profit and loss.

2.10 Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Bank are credit insurances that provide for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value and the initial fair value is amortized over the life of the financial guarantee. Subsequently they are measured at the higher of this amortized amount and the present value of any expected payment when a payment under the guarantee has become probable.

2.11 Income tax

The tax currently payable is based on the taxable profit for the year. The taxable profit differs from profit as reported in the income statement because it excludes itmes of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and it is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Banks expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

2.12. Ongoing activity

The financial statements have been prepared on an ongoing basis which assumes that the Bank will continue to realize its assets and pay its debts within the normal course of business. As at 31 December 2016, the Bank recorded a net profit of RON 32,501,916. The Bank's ability to continue its work depends upon its ability to generate sufficient future earnings and continued financial support from its shareholders. The management has addressed the problem of appropriate financial statements on the basis of continuing operations and is satisfied that the Bank will generate sufficient earnings in the near future, that it will be able to fulfill its assets and discharge its liabilities within the normal course of business and that financial support of the shareholders will be available in the foreseeable future.

The Bank's management aims at increasing the Bank's loan portfolio while controlling the risk-associated cost to levels acceptable for the Bank. The Bank's budget forecasts for 2017 have increased profitability under these measures. The financial support will be available when needed from Broadhurst Investments Ltd., a shareholder, as described in Note 24.

3. INCOME TAX EXPENSES

The Bank's reserves for taxes based on the tax revenue kept and prepared in accordance with local tax regulations which may differ from International Financial Reporting Standards.

The Bank has certain permanent tax differences due to the non-deductibility of certain expenses and a tax-free regime for certain types of revenues. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

	31 December 2016	31 December 2015
Direct taxes at 16% (2015: 16%) of taxable Profits determined in accordance with Romanian Law		(5,313,208)
(1,706,551)		
Deferred income tax	439,123	
(1,465,174)		
Total tax expense	**4,874,085**	**3,171,725**

2. INCOME TAX EXPENSES (continued)

Reconciliation of profit before tax to income tax expense in the income statement.

	31 December 2016	31 December 2015.
Profit before tax	**32,501,916**	**27,025,929**
Taxation at statutory rate of 16%		**(5,200,307)**
(4,324,149)		
Tax effect of:		
Non-deductible expenses	13,343,359	(2,234,289)
Non-taxable revenues	(3,329,448)	1,227,589
Origination and reversal of temporary differences	(4,559,776)	626,824
Fiscal result	37,956,050	1,465,174
(Income tax)/loss carried forward		**(6,072,968)**
(3,238,850)		
Fiscal credit	45,208	67,125
Sponsorship deducted from profit tax	714,552	-
(Income tax)/loss carried forward		**(5,313,208)**

(3,171,725)

3. INCOME TAX EXPENSES (continued)

The main sources of tax recognition of temporary differences are presented below:

	31 December 2016	31 December 2015.
Taxable temporary differences:		
Change in fair value of financial assets available for sale	439,123	9,434,123
Deferred tax liabilities at 16%		**-**
(1,509,460)		
Deferred tax assets from fiscal loss at 16%	-	-
Receivable/payable related to the 16% deferred tax		**439,123**
(1,509,460)		

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

4. NET INTEREST AND COMMISSIONS INCOME

	2016	2015.
Interest income:		
Loans and advances to banks	861,572	1,177,172
Loans and advances to customers		148,843,051
119,493,058		
Fixed income trading securities	6,414,292	5,874,618
Total interest income		**156,119,047**
126,544,848.		
Interest expense:		
Deposits from banks	(25,678)	(115,226)
Customers deposits and current accounts	(32,106,061)	(33,502,193)
Borrowings	(1,032,782)	(266,131)
Total interest expenses		**(33,164,521)**
(33,883,550)		
Net interest income	**122,954,526**	**92,661,298**
Commissions income		
	2016	**2015.**

Commissions from collections and payments		
From customers operations		11,744,429
11,004,198		
Revenue from ATM's and card transactions	5,050,235	4,959,663
Commissions for National Fund for the Guarantee of SME loans	1,805,206	3,189,770
Commissions related to lending business		2,071,832
2,153,376		
Other commissions	1,378,976	1,519,766
Total commissions income		**22,050,678**
22,826,773		
Commissions expenses		
Expenses with commissions from National Fund for the Guarantee of SME loans	(4,854,044)	(4,658,486)
Expenses related to payment operations	(4,461,297)	
(2,809,089)		
Other commissions	(69,760)	(67,892)
Total commission expenses	**(9,385,101)**	**(7,535,467).**

5. OTHER OPERATING INCOME

	2016	2015
Not foreign exchange gains	9,974,904	8,154,678
Dividend income	485,036	2,244,532
Recovery from loans written off	5,684,896	7,179,384
Other income	9,474,208	3,110,012
Total other operating income	**25,619,045**	**20,688,605**

6. OPERATING EXPENSES

	2016	2015
Staff expenses	(54,874,592)	(44,068,314)
Professional fees, rent and insurance	(8,426,374)	(7,932,513)
Repairs, maintenance and utilities	(3,957,595)	(2,488,187)
Provision charge for other assets	(898,753)	-
Other taxes	(7,258,384)	(8,000,342)
Amortisation and depreciation expenses	(2,760,251)	(2,734,480)
Other expenses with services rendered	(3,456,633)	(2,250,428)
Expenses with cards	(3,066,812)	(2,284,459)
Other expenses	(13.782.753')	(12.161.148')
Total operating expenses	**(98.482.146)**	**(81.919.8711**

The Bank had 674 employees at 31 December 2016 and 559 employees at 31 December 2015. The average number of employees was 616 and 574 during the year ended 31 December 2016, 2015 respectively.

All of the Bank's employees are included in the government pensions system. The Bank does not operate any pension plan or benefits after retirement and, consequently, does not have any obligations related to pensions. In addition, the Bank has no obligation to provide other additional benefits to its employees.

The remuneration paid to the employees during 2016 amounted to RON 45,671,594, out of which:

	Year ended 31 December 2016		Year ended 31 December 2015.	
	No. of employees	Salary costs	No. of employees	Salary costs
Operating personnel	599	33,190,876	490	35,622,887
Management personnel	75	12,480,718	69	8,445,427
	674	45,671,594	559	44,068,314.

7. IMPAIRMENT LOSSES AND PROVISIONS

	Provisions for	Provisions	Provisions for loans and

	investment securities	for risks and charges	advances to customers	Total
31 December 2014	**180,091**	**877,395**	**68,394,026**	**69,451,566**
Unwinding at 2014	**-**	**-**	**10,375,791**	**-**
Aditional charge of provision	(6,442)	423,748	19,278,107	19,695413
Resumption of provision corresponding to the write-offs of claims in 2014	-	1,100	(1,282,213)	(1,281,113)
E/R differences	-	-	180,037	180,037.
31 December 2015	**173,649**	**1,302,243**	**90,280,153**	**91,756,045**
Unwinding at 2015	**-**	**-**	**6,665,594**	**-**
Aditional charge of Provision	85,069	898,753	24,397,178	25,295,931
Impact on provision From loans written-off	-	2,433	(70,154,455)	(70,066,953)
E/R differences	-	-	(194,065)	(194,065)
31 December 2016	**258,718**	**2,203,429**	**49,339,442**	**51,801,589**
Unwinding at 2016	**-**	**-**	**1,654,962**	**1,654,962.**

In 2016, the bank proceeded to send in off the balance sheet a portfolio of loans totaling RON 70,154,455 corresponding which was 100% provisioned. This portfolio consisted especially from balances of loans past due more than 180 days without real collateral.

8. CASH AND BALANCES TO BANKS

	31 December **2016**	31 December **2015.**
Cash on hand	35,279,752	20,787,739
Nostro accounts with banks	139,233,710	137,166,852
Term deposits with banks	14,202,108	2,262,268
Total	**188,715,570**	**160,216,859**

Investments with maturity of up to 3 months (Note 12)	48,440,644	109,040,566
Total cash and cash equivalents (Cash-flow)	**237,156,216**	**269,257,425.**

At December 31st, 2016 and 2015 term deposits with banks included deposits with banks in Romania in RON, EUR and USD with remaining maturities of up to 1 month.

At 31 December 2016 and 2015, the interest rates on term deposits from banks were as follows:

Initial currency	31 December **2016**	31 December **2015.**
RON	2.05%	0%-0.4%
USD	-	0.05%-0.1%.

For the purpose of the cash flow statement, the cash and cash equivalents include cash on hand and placements with banks. As of 31 December 2016, there were included in cash flows as cash equivalents investments in securities of RON 48,440,644 with maturity of up to 3 months which were presented in Note 12.

9. BALANCE DUE FROM THE NATIONAL BANK OF ROMANIA

	31 December **2016**	31 December **2015.**
Current accounts	621,153,220	413,631,180
Deposits	-	-
Total	621,153,220	413,631,180.

Current accounts with the National Bank of Romania include balances in RON, USD and EUR and are used for domestic payments and for maintaining minimum mandatory reserves.

The National Bank of Romania requires commercial banks to maintain an amount calculated as a percentage of their funding other than local inter-bank originated for achieving the monetary policy targets. As of 31 December 2016, the required rate for RON and foreign currency compulsory reserves was 8% and 10%, respectively (31 December 2015: 8% and 14%, respectively). The level of the compulsory deposit reserve is computed once a month and must be maintained, on average, in the form of cash held with the National Bank of Romania.

9. BALANCE DUE FROM THE NATIONAL BANK OF ROMANIA (continued)

As of 31 December 2016 and 2015, the interest rates on current accounts balances with the National Bank of Romania were as follows:

Initial currency	31 December 2016	31 December 2015.
RON	0.25%	0.25%
USD	0.05%	0.05%
EUR	0.07%	0.6%.

10. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2016	31 December 2015.
Loans and advances to customers		2,140,368,540 1,444,187,336
Provision for impairement (Note 7)	(49,339,442)	(90,280,153)
Total		**2,091,029,098 1,353,907,183**

Analysis by industry	31 December 2016	31 December 2015.
Trade	254,847,833	208,660,355
Health	234,413,162	194,216,875
Construction	486,250,047	254,893,799
Agriculture	247,493,837	180,386,720
Professional practices	200,074,244	131,733,487
Manufacturing industry	119,602,552	86,682,908
Real estate	315,576,524	140,906,704
	55,654,662	89,608,308
Tourism	41,376,209	30,749,889
Wood industry	113,787	3,548,011
Extraction industry	4,571,449	3,537,274
Financial services	16,880,231	35,667,456
Other activities	163,514,003	83,595,552
Total	**2,140,368,540 1,444,187,336.**	

At 31 December 2016 and 2015, loan interest rates were as follows:

	31 December	31 December
Initial currency	**2016**	**2015.**
RON	0.96%-21.96%	2,44%-23.2%
EUR	1.2%-14.8%	2.7%-14.8%
USD	1.2%-12.5%	6.75%-
12.5%.		

11. OTHER ASSETS

	31 December 2016	31 December 2015
Prepayments	3,342,947	3,052,052
Cash in transit (from ATM network supplier)	22,419,720	27,799,250
Repossesed assets and deposit collateral	13,480,135	10,131,489
Suspense accounts	23,024,273	7,300,430
Minus: Provision for other assets (Note 7)	(308.732)	(1.302,243)
Total	**61.958.343**	**46.980.978**

12. INVESTMENTS

	31 December 2016	31 December 2015
Financial assets available-for-sale	417,321,215	444,366,99
Government debt securities	2,303,580	9,904,194
Unquoted equity securities	(258.718)	(173,649)
Minus: Provisions for equity securities (Note 7)		
TOTAL	**419.321.215**	**454.097.535**

At 31 December, 2016 and 2015, the investments include bonds denominated in RON and EUR and bearing coupon with interest rates between 1.25% - 3.4% and (2.5%-7.25%) p.a. respectively.

At 31 December 2016, part of the portfolio of government bonds in the amount of RON 2,000,000 (31 December 2015: RON 7,500,000) is pledged in favour of the National Bank of Romania.

Below is the maturity analysis of bonds:

	31 December 2016	31 December 2015
From 1 month to 3 months From 3 months to 1 year	48,440,644	109,040,566
From 1 to 5 years Over 5 years Maturity undefined	362,838,640	165,375,950
	5,997,070	163,852,152
	2,044,861	6,125,322
		9,730,545
	419,321,215	**454,097,535**

12. **INVESTMENTS (continued)**

Details of unquoted equity securities available-for-sale are as follows:

Company name	**Activity**	**Place of incorporation**	**Interest**	**Cost**	
				31 December 2016	**31 December 2015**
SOPAS	Leasing and financial	Romania	9,99%	23,225	23,225
Casa de Compensare Bucuresti	Clearing and settlement house	Romania	1,95%	370,330	370,330
Transfond SA	Money transfer	Romania	2,56%	280,940	280,940
Biroul de Credit	Bank information services	Romania	0,18%	13,384	13,384
SWIFT	Money tranfer	Belgium	1 share	99,286	99,286
Elvila SA	Furniture, trade and manufacture	Romania	1,84%	1,516,050	1,516,050
Visa				-	7,600,979
				2,303,580	**9,904,194**
Minus: provision for impairment of investment in SOPAS				**(23,225)**	**(23,225)**
Minus: provision for impairment of investment				**(235,493)**	**(150,424)**

in Elvila SA		
Total unquoted equity securities available-for-sale	**2,044,861**	**9,730,545.**

The equity securities available-for-sale are are not listed and actively traded in the domestic market and therefore, their fair value can not be measured reliably. These securities are stated at an acquisition cost, minus the impairment losses.

During 2016 and 2015, the Bank has recognised the right to receive dividends from Transfond SA in the amount of RON 475,898 (2015: RON 1,938,354) and from Biroul de Credit in the amount of RON 9,138 (2015: RON 306,178) (Note 5).

13. FIXED TANGIBLE AND INTANGIBLE ASSETS

Tangible assets	**Land and buildings**	**Office equipment**	**Vehicles**	**Fixed in progress**	**Total**
COST					
At 31 December 2014	7,802,576	10,158,539	4,215,318	406,845	22,583,278
Additions	243,461	328,900	924,259	2,324,054	4,820,674
Disposals	(390,776)	(1,129,750)	(340,903)	(2,496,620)	(4,358,049)
At 31 December 2015	**7,655,261**	**10,357,690**	**4,798,674**	**234,279**	**23,045,904**
Additions	218,253	635,912	1,024,978	3,049,115	4,928,259
Disposals	(403,841)	(393,798)	(289,615)	(1,879,143)	(2,966,396)
At 31 December 2016	**7,469,674**	**10,599,808**	**5,534,037**	**1,404,251**	**25,007,770**
ACCUMULATED DEPRECIATION **AND IMPAIRMENT**					
At 31 December 2014	**(5,146,157)**	**(7,526,483)**	**(1,949,672)**	**-**	**(14,622,312)**
Charge for the year	(496,530)	(903,728)	(786,430)	-	(2,186,709)
Disposals	390,776	1,000,680	332,691	-	1,724,147
At 31 December 2015	**(5,251,911)**	**(7,429,531)**	**(2,403,412)**	**-**	**(15,084,874)**
Charge for the year	(399,522)	313,189	(2,114,479)	-	(2,200,792)
Disposals	-		289,615	-	650,455
		360,840			
At 31 December 2016	**(5,651,433)**	**(6,755,502)**	**(4,228,276**	**-**	**(16,635,231)**
NET BOOK VALUE- TANGIBLE ASSETS					
At 31 December 2015	**2,656,419**	**2,632,057**	**2,265,645**	**406,845**	**7,960,967**
At 31 December 2016	**1,797,829**	**3,865,402**	**1,305,079**	**1,404,251**	**8,372,581**

13. FIXED TANGIBLE AND INTANGIBLE ASSETS (continued)

Intangible assets

COST	**Intangible assets**	**Assets in progress**	**Total**
At 31 December 2014	**15,867,576**	**181,208**	**16,048,784**
Additions	529,575	439,098	968,672
Disposals	-	(160,988)	(160,988)
At 31 December 2015	**16,397,151**	**90,732**	**16,487,883**
Additions	160,977	1,006,542	1,167,520
Disposals	-	(160,988)	(160,988)
At 31 December 2016	**16,558,128**	**936,288**	**17,494,416**
ACCUMULATED DEPRECIATION			
At 1 December 2014	**(15,105,959)**	**-**	**(15,105,959)**
Charge for the year	547,784	-	547,784
Disposals	-	-	-
At 31 December 2015	**(15,653,743)**	**-**	**(15,653,743)**
Charge for the year	(559,439)	-	(559,439)
Disposals	-	-	-
At 31 December 2016	**(16,213,182)**	**-**	**(16,213,182)**
NET BOOK VALUE			
- INTANGIBLE ASSETS			
At 31 December 2015	**743,408**	**90,732**	**834,140**
At 31 December 2016	**344,946**	**936,288**	**1,281,234**
NET BOOK VALUE			
TANGIBLE AND INTANGIBLE ASSETS			
At 31 December 2015			**8,795,163**
At 31 December 2016			**9,653,814**

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

14. CUSTOMER DEPOSITS AND SAVINGS ACCOUNTS

	31 December 2016			31 December 2015		
	RON	foreign currency	Total	RON	foreign currency	Total
On demand	738,045,907	109,190,180	847,236,087	515,175,998	74,618,261	589,794,259
Term deposits	1,656,697,600	441,518,276	2,098,215,876	1,199,972,819	386,205,632	1,586,178,450
Total	**2,394,743,507**	**550,708,456**	**2,945,451,963**	**1,715,148,816**	**460,823,893**	**2,175,972,709**

As of 31 December 2016 and 2015, the interest rates on term deposits were as follows:

Initial currency	31 December **2016**	31 December **2015.**
RON	0%-6.0%	0%-6.0%
EUR	0%-2.5%	0%-2.3%
USD	0.75%-2%	0%-2.5%.

As of 31 December 2016, the interest payable on current accounts balances were between 0%-2% p.a. on current accounts in RON, between 0%-0.5% p.a. on current accounts in EUR and 0% p.a. on current accounts in USD.

The Bank had significant balances held by the entities- members of Broadhurst Group NCH, the ultimate shareholder, on current accounts and term deposits amounting to RON 176,327,931 as of 31 December 2016 and RON 134,678,832 as of 31 December 2015. At 31 December 2016, the amount exceeded 10% of the Bank's equity. The average interest rate at deposits attracted from related parties is of 1,77%.

15. LOANS FROM FINANCIAL INSTITUTIONS

The Bank has signed one facility agreement on 4 June 2015 with European Investment Fund with a maturity date of 31 December 2019. The disbursed amount was RON 31,040,000 having an interest rate of 3.23% (3.96% as of 31 December 2015).

16. OTHER LIABILITIES

	31 December 2016	31 December 2015.
Social security, payroll and other taxes payable	1,589,171	1,314,119
Other creditors	23,736,018	4,673,929
Provisions for litigations and other provisions	1,894,626	_____
Total	**27,219,815**	**5,988,048**

17. SHARE CAPITAL

	31 December 2016	31 December 2015
Share capital at nominal value	**252,200,000**	**198,100,000**
Effect of hyperinflation adjustments from prior periods	43,549,200	43,549,200
Total share capital	**295,749,200**	**241,649,200**

The shareholders structure as of 31 December 2015 and 2014 is as follows:

Shareholder	No of shares	%	No.of shares	%
Broadhurst Investments Ltd.	1,764,620,109	69,97%	1,223,620,109	61.77%
Romarta SA	426,398,816	16,91%	426,398,816	21.52%
Other	328,312,448	13,02%	328,312,448	16,57%
TOTAL	**2,522,000,000**	**100%**	**1,981,000,000**	**100%**

During the year ended on 31 December 2016, the shareholders increased the share capital of the Bank by RON 54,100,000, subscriptions made by Broadhurst Investments and Romarta SA.

18. OTHER RESERVES

Other reserves consist of legal reserves and general risk reserve established in accordance with Romanian legislation, as follows:

The legal reserve is established in accordance with Romanian law through allocation of 5% from gross profit until the reserve reaches 20% from share capital. This reserve is allocated from gross profit and is deductible for income tax purposes.

In 2016, the Bank has allocated to the legal reserve the amount of RON 1,868,800, representing 5% of the profit recorded in 2016. At 2015, the Bank has allocated to the legal reserve an amount of RON 1,351,296.

The general risk reserve is established in accordance with Romanian law and is equal to minimum 1% of risk bearing assets. This reserve can't be distributed to the shareholders. Any release of this reserve is transferred to the profit and loss account.

19. COMMITMENTS AND CONTINGENCIES

Commitments under rent contracts

Future commitments related to rental contracts are as follows:

	31 December 2016	31 December 2015
Amounts to be paid:		
In one year	7,859,636	5,981,685
Between 2 and 5 years	14,992,530	12,897,358
Total	**22,852,165**	**18,879,043**

Letters of guarantee

The aggregate amounts of outstanding letters of guarantee at 31 December 2016 and 31 December 2015 are:

	31 December 2016	31 December 2015
Letters of guarantee in RON		
Secured by cash	4,382,520	9,719,052
Secured by mortgage	10,925,419	4,887,504
Secured by other instruments	3000	22,652,406
Secured by pledge on assets	5092	294,224
Total	**15,316,031**	**37,553,186**
Letters of guarantee in foreign currency	136,533	136,034
Secured by pledge on assets	1,347,934	1,284,660
Secured by mortgage	1,712,172	1,943,891
		1,160,699
Total	**3,196,638**	**4,525,284**
Total letters of guarantees	**18,512,669**	**42,078,470**
Total undrawn loan commitments	**790,151,473**	**177,624,499**

On 31 December 2016, the Bank has a funding commitment from Broadhurst Investments Limited amounting to RON 256,530 million (USD 60,000,000) with a due date on November 11th, 2019.

This funding commitment is unconditional, irrevocable and can be used at any time to protect the Bank Liquidity Management related to contingencies.

For both letters of guarantee and letters of credit issued in RON and secured by mortgage, the following arrangement was in place: the Bank granted credit line facilities to its customers, secured by mortgage and subsequently it issued such letters of guarantee and letters of credit within the limits initially approved for the credit lines.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at transaction date where available, fair value is based on quoted market prices. However, no readily available market prices exist for a significant portion of the Bank's financial instruments. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing techniques as appropriate. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. Therefore, the calculated fair value estimates can not be realized in a current sale of the financial instrument.

(a) cash and balances with the central bank

The carrying values of cash and balances with the central bank are generally deemed to approximate their fair value.

(b) Due from banks

Amounts due from banks include balances on Nostro accounts and short-term deposits with maturity up to one month. The estimated fair value of amounts due from banks approximates their carrying amounts.

(c) Loans and advances to clients

The fair value of variable-yield loans that regularly change their prices without any significant change in credit risk, generally approximates the value reported. On 31 December 2016, the loans at fixed interest rates amount to RON 82.816.456 of the total portfolio and their fair value is RON 79.907.738. On 31 December 2015, loans at fixed

interest rates amount to RON 94.680.721 of the total portfolio and their fair value is RON 92,891,776. Provisions are not taken into account when calculating fair values.

(d) Amounts due to banks, borrowings and customers deposits

The amounts due to banks include short-term deposits with maturity up to one month. The estimated fair value of the amounts due to banks approximates the amounts reported.
The fair value of deposits payable on demand represents the carrying value of the amounts payable on demand as at the balance sheet date. The fair value of term deposits at variable interest rates approximates their reported values as at the balance sheet date.
At 31 December 2016, fixed interest rate deposits amounted to RON 2,086,703,878 and their fair value amounted to RON 1,962,538,188.
At 31 December 2015, fixed interest rate deposits amounted to RON 1,576,677,796 and their fair value amounted to RON 1,349,623,625.
Upon the classification of the fair value of the financial instruments, the fair value hierarchy is used to reflect the significance of the data input used to make the respective valuations. The fair value hierarchy comprises the following three levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs, other than quoted prices, included within level 1, that are observable for the assets or liabilities, either directly (that is as prices) or indirectly (that is derived from prices) (level 2). The Bank assigns its state securities to this category.
- Inputs for assets or liabilities that are not based on observable market data (unobservable inputs) (level 3).

The classification of fair value of the financial assets of the Bank on the three levels is presented as follows:

	31 December 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash	35,279,752	**-**	**-**	35,279,752
Balance due from the National Bank of Romania	621,148,411	**-**	**-**	621,148,411
Deposits and accounts with banks	153,435,820	**-**	**-**	153,435,820
Loans and advances to customers	-	**-**	2,091,029,098	2,091,029,098
State titles available for sale	-	417,276,353	-	417,276,353
Unquoted equity securities available-for-sale	-	**-**	2,303,580	2,303,580
Assets total value	**809,863,983**	**417,276,353**	**2,093,332,678**	**3,320,473,014**
Customers deposits and savings accounts	**-**	**-**	2,945,451,962	2,945,451,962
Loans from financial institutions	**-**	32,186,304	-	32,186,304
Amounts in transit related to corresponding banks	**-**	17,493,600	-	17,493,600
Total debts	**-**	**49,679,905**	**2,945,451,962**	**2,995,131,867**

20. COMMITMENTS AND CONTINGENCIES (continued)

d) Amounts due to banks, borrowings and customers deposits (continued)

	31 December 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash	20,787,739	-	-	20,787,739
Balance due from the National Bank of Romania	413,631,184	-	-	413,631,184
Deposits and accounts with banks	139,429,120	-	-	139,429,120
Loans and advances to customers	-	-	1,353,907,183	1,353,907,183
State titles available for sale	-	444,366,990	-	444,366,990
Unquoted equity securities available-for-sale	-	-	9,730,545	9,730,545
Assets total value	**573,848,043**	**444,366,990**	**1,363,637,728**	**2,381,852,761**
Customers deposits and savings accounts	-	-	2,175,972,709	2,175,972,711
Loans from financial institutions	-	21,782,678	-	21,782,678
Amounts in transit related to corresponding banks		6,394,347	-	6,394,347
Total debts	-	**28,177,025**	**2,175,972,709**	**2,204,149,734**

At the end of 31 December 2016, the Bank released the provision for the stake of Elvila's SA to the value of RON 235,493 due to the performing financial situation of the company. On 31 December 2015, this provision had the value of RON 150,424. There were no sale of these investments and no new purchases.

The following is a summary of the types of activities and management policies related to financial risk management.

21. FINANCIAL RISK MANAGEMENT

Credit risk

The Bank takes on the exposure to credit risk with respect to all credit facilities and loans granted which is the risk that the counterparty may be unable to pay the amounts in full when they fall due. The Bank's objective regarding the credit risk management is to improve and to maintain the loan portfolio quality by monitoring the loan exposures to retail customers and individuals, corporate customers and professionals.

The exposure to credit risk is managed through a regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

21. FINANCIAL RISK MANAGEMENT (continued)

The Bank's strategy regarding the credit risk management includes in particular:

- Limiting and decreasing the concentration risk: achieved through monitoring of particular categories of customers, monitoring of exposures to individual debtors and groups of connected debtors, monitoring of exposures to geographical segments, monitoring of exposures to economic sectors, monitoring of exposures to specific lending products and risk diversification;
- Increasing the quality of collaterals;
- Limiting the credit risk per types of collaterals accepted;
- Credit risk control: through loans preapproval process and subsequent credit control procedures;
- Ensuring the adequate management of the credit risk by preparation and analysis of specific reports;
- Developing and maintaining the internal process of warning and recovering of outstanding receivables;
- Regular monitoring of loans, including monitoring of debt service and financial performance of the borrowers.

Collaterals received from customers

As part of its credit risk management policy, the Bank calls for adequate collateral on approving loans to customers. In accordance with the internal regulations, the Bank accepts as collaterals the following types of assets:

- Real estate mortgage and production facilities;
- Merchandise stock and equipment;
- Securities;
- Cash collaterals and deposits;
- Liens over receivables;
- Insurance policies;
- Financial guarantees.

With respect to the above-mentioned types of collaterals, the Bank's policy is that the ratios of the collaterals values to the loans approved shall be as follows:

- Real estate mortgages: between 115% and 150%; (exception from this rule: credits to professional customers that have a coverage degree of minimum 100%);
- Merchandise stock and equipment: minimum 130%;
- Cash collaterals, deposits, securities and financial guarantees: 100%.

21. FINANCIAL RISK MANAGEMENT (continued)

Credit monitoring and quality of loans

For internal credit risk policies, the loan portfolio is split into a number of categories depending on different criteria. The quality of loans is presented below based on ratings determined by taking into consideration the quantitative and qualitative criteria set (debt service, financial performance of the customers, soft factors, including quality of management, competitive position etc.). One of the main criteria is the debt service of the client and its financial situation. The worst rating of the loan is applicable for the classification of the whole exposure towards the client.

Category	31 December 2016		31 December 2015	
	Gross exposure	% of total	Gross exposure	% of total
Standard	440,411,260	21%	469,988,083	33%
In observation	1,023,457,624	48%	471,980,418	33%
Substandard	371,171,035	17%	257,749,737	18%
Doubtful	181,404,386	8%	67,284,327	5%
Loss	123,924,234	6%	177,184,774	12%
Loan portfolio (gross)	**2,140,368,539**	**100%**	**1,444,187,337**	**100%**
Provision	**(49,339,442)**		**(90,280,154)**	
Loan portfolio (net	**2,091,029,098**		**1,353,907,183**	

For the purpose of credit risk management, the loan portfolio is further split depending on the type of the customers (retail, corporate, professionals, agri and individually assesed). The credit control procedures and credit risk monitoring is arranged organizationally and functionally around these categories.

The rate of non-performing loans and coverage of provisions and mortgages coverage

At 31 December 2016, non-performing loans ratio (calculated as total outstanding exposures of over 90 days and for which legal proceedings have been initiated) was 4.2%, compared with 6.5% at 31 December 2015. The main reason for the decrease in this rate is the removal from the balance sheet during 2016 of a portfolio amounting to RON 70,154,455, as well as the granting of a significant number of new loans during 2016 which were classified as performing.

21. **FINANCIAL RISK MANAGEMENT (continued)**

	31 December 2016.	31 December 2015
Corporate clients		
Gross exposure	1,418,935,043	849,750,456
Impairment provision	(4,479,522)	(6,846,374)
Net exposure	1,414,455,521	842,904,081
Retail		
Gross exposure	46,146,538	84,311,576
Impairment provisio	(189,886)	(50,098,652)
Net exposure	**45,956,652**	**34,212,924**
Professionals		
Gross exposure	385,207,101	302,337,903
Impairment provision	(814,643)	(2,462,735)
Net exposure	**384,392,458**	**299,875,169**
Individually analyzed portfolio		
Gross exposure	56,485,181	50,190,479
Impairment provision	(42,238,808)	(29,468,442)
Net exposure	14,246,372	20,722,036
Agri Business		
Gross exposure	233,594,678	157,596,925
Impairment provision	(1,616,583)	(1,403,951)
Net exposure	**231,978,095**	**156,192,974**
Total loan portfolio		
Gross exposure	2,140,368,540	1,444,187,337
Impairment provision (Note 7)	(49,339,442	(90,280,154)
Total net portfolio	**2,091,029,098**	**1,353,907,183**

21. FINANCIAL RISK MANAGEMENT (continued)

The significant net exposures which individually exceeded 10% of the Own Funds as of 31 December 2016 and 31 December 2015 are presented below:

	31 December 2016
Banca Nationala a Romaniei	621,147,507
Ministerul de Finante	450,070,516
Banca Comerciala Romana	58,453,694
Sema Parc SA	57,396,687
Impact Developer Contractor SA	46,673,028
Napochim Imobiliare SA	46,650,000
Rovesta Ltd.	42,905,030
RCS RDS SA	41,376,689
Triumf Construct SA	36,482,867
Area 10 Eastern World SRL	36,220,345
Belvedere development SRL	35,937,988
Pantelimon Residential Park SRL	31,847,130
Unicredit Spa	31,824,399
Florisal SA	31,643,854
Amda Properties SRL	31,250,982
M. Chim SRL	31,243,699
Spatiu Comercial Vitan SRL	30,625,246
Dacia Structures SRL	29,111,794
Curitiba SRL	28,641,694
Metropolitan Rezidential SRL	27,823,063
H.I.L. Investitii Constructii SRL	26,256,028
Total	**1,773,582,242.**

	31 December 2015
Ministerul de Finante	444,366,990
Banca Nationala a Romaniei	413,631,877
BCR	26,391,585
Herce Imobiliare Cluj SRL	47,436,549
Metropolitan Rezidential	46,128,658
Florisal SA	40,000,000
Dacia Structures SRL	39,894,647
Sema Parc SA	33,566,019
Danube Capital Partners SRL	33,240,750
Spatiu Comercial Vitan SRL	30,933,285
Impact Developer Contractor SA	29,279,288
Total	**1,234,691,133.**

21. FINANCIAL RISK MANAGEMENT (continued)

Impairment of financial assets

A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due from the customers.
For the purpose of impairment testing, the objective evidence that a financial asset is impaired includes observable data that comes to the attention of the Bank mainly about the following loss events:

- significant financial difficulty of the customer;
- a breach of contract, such as a default or delinquency in interest or principal payments (normally over 90 days overdue);
- adverse changes in the payment status of the customer.

For the purpose of the financial statements disclosure "Loans that have been impaired" are defined as assets for which an objective evidence of impairment exists as of 31 December 2016 and 2015 and for which an impairment allowance has been established as a result of impairment test.

The loans disclosed below as "Neither past due nor impaired" are those assets for which no objective evidence of impairment has been identified as of 31 December 2016 and 2015. The loans disclosed below as "Past due but not impaired" are those financial assets for which the principal and interests payments are overdue for less than 90 days and there are no other indicators of objective evidence of default. No provisions have been established for such loans based on the individual assessment of impairment and they have been included into collective assessment of impairment.

The following table details the carrying value of loans that are impaired, not impaired and the ageing of those that are past due but not impaired:

	Loans neither past due nor impaired	**Past due but not impaired loans**					
		0-30 days	**30-60 days**	**60-90 days**	**Over 90 days**	**Impaired loans**	**Total**
31 dec 16	340,670,343	10,791,555	1,530,901	493,096	51,289	1,786,460,283	2,140,396,069
31 dec 15	224,652,519	4,968,474	1,072,318	490,696	830,146	1,212,176,697	1,444,190,849

Exposure to credit risk

The following table presents the total exposure to credit risk of financial assets. For financial assets, the total exposure is equal to the carrying amount of those assets before deduction of any allowance for impairment losses or collateral. The value of collateral pledged in the table below represents the estimated fair values of real estate collaterals (for the presentation purposes the amounts of collaterals pledged equal the minimum between the estimated fair value and the gross value of the related loan outstanding).

21. FINANCIAL RISK MANAGEMENT (continued)

At December 31st, 2016:

	Maximum exposure to credit risk	Provision	Net exposure afer provision	Collateral pledged	Net exposure after provision and collaterals
Due from banks	153,435,818	-	153,435,818	-	153,435,818
Customers loans and advances	2,140,368,540	(49,339,442)	2,091,029,098	3,022,574,107	-
Other assets	62,267,145	(308,802)	61,958,343	-	61,958,343
Off balnce sheet instruments	808,664,143	-	808,664,143	26,392,017	782,272,125

At December 31st, 2015:

	Maximum exposure to credit risk	Provision	Net exposure afer provision	Collateral pledged	Net exposure after provision and collaterals
Due from banks	139,429,120	-	139,429,120	-	139,429,120
Customers loans and advances	1,444,187,336	(90,280,153)	1,353,907,183	1,353,907,183	-
Other assets	20,483,970	(1,302,242)	19,181,728	-	19,181,728
Investments				-	
Off balnce sheet instruments	215,170,306	-	215,170,306	-	215,170,306

Foreign currency risk

The Bank enters into transactions in both Romanian Lei (RON) and foreign currencies. Hence, exposures to foreign exchange rates fluctuations arise. The Bank is mainly exposed to a risk of exchange rate change for monetary assets and liabilities denominated in USD and EUR which constitute the most part of its foreign currency denominated assets and liabilities.

In order to manage the foreign currency risk, the Bank maintains open currency exposure within the following limits, as required by the National Bank of Romania:

- Net exposure in single foreign currency- no more than 10% of total own funds calculated in accordance with the requirements of the National Bank of Romania.
- Net aggregated exposure in foreign currencies- no more than 10% of total own funds calculated in accordance with the requirements of the National Bank of Romania.

21. FINANCIAL RISK MANAGEMENT (continued)

As of 31 December 2016 and 2015, the Bank exposure to currency risk is as follows:

Currency	31 December 2016	31 December 2015.
EUR	(716,118)	792,882
USD	255,792	9,946
GBP	274,195	528,565
CHF	1,660	139,518
SEK	21,630	42,105
CAD	(16,120)	7,366
Other	569,436	79,550
Total exposure	**390,476**	**1,599,932**

Foreign currency sensitivity analysis

The following information reflects the Bank's sensitivity to depreciation and appreciation of the domestic currency against EUR, USD, GBP, CHF, SEK and CAD by 5%. 5% is the sensitivity rates which has been used for reporting the foreign currency risk exposure by the Bank for internal risk management purposes and represents the Bank's assessment of the reasonably possible change in foreign exchange rates in future. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities and adjusts their translation at he period end for a 5% change in foreign currency rates.

Currency	+5%	-5%	+5%	-5%
EUR	(35,806)	35,806	39,644	(39,644)
USD	12,790	(12,790	497	(497)
GBP	13,710	(13,710)	26,428	(26,428)
CHF	83	(83)	6,976	(6,976)
SEK	1,082	(1,082)	2,105	(2,105)
CAD	(806)	806	368	(368)
	(8,948)	8,948	76,019	(76,019)

21. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

Interest rate risk includes interest rate price risk and interest rate cash-flow risk. Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rates that apply to the financial instrument. Interest rate cash flow risk is the risk that the interest cost and the associated cash flows will fluctuate over time. Financial instruments of the Bank mainly carry both variable and fixed interest rates. As a result, the Bank is exposed to both interest rate cash flow risk and interest rate price risk. Interest rates applicable to various financial assets and liabilities are disclosed in respective notes to these financial statements.
Interest rate risk management is realized by the Bank through the following measures:

- Insuring maxim possible correlation of the maturities of fixed interest rate bearing funds attracted with those of the fixed interest rate bearing assets;
- Limitation of the interest rate gap by originating interest rate bearing assets having similar interest rate structure (in terms of maturity, type of interest rates and repricing period) as that of the funds attracted;
- Establishment of interest rate level on Bank's assets and liabilities;
- Determination of interest rates characteristics (floating or fixed);
- Analysis of maturity differences in assets and liabilities, sensible to interest rate change and maintaining an adequate structure of assets and liabilities;
- Providing interest rate flexibility, periodical change of rates on Bank's financial instruments;
- Evaluation of working assets structure and structure of paid liabilities, taking measures oriented to decrease the ratio of working assets to paid liabilities;
- Examination of information on interest rate risk by the committee ALCO and Bank's management with further adjustment of Bank's policy on attraction and placement of means;
- Projection of perspective interest rate level on the basis of factors which may have influence on its increase or decrease etc.

Interest rate sensitivity analysis

The sensitivity analysis below has been prepared based on the exposure to changes in interest rates for interest bearing assets and liabilities outstanding as of 31 December 2016 and 2015. For the purpose of the sensitivity analysis, the Bank reviewed its portfolios of interest bearing assets and liabilities and extracted those which bear a floating interest rate. Instruments which bear a fixed interest rate have been excluded from the below analysis. The percentages of increase/decrease in interest rates as indicated below are used when reporting sensitivity to change in interest rates for internal reporting purposes of the Bank and represent the Bank's assessment of the reasonably possible change in interest rates.

The balances in the table below represent an effect of increase in interest rates on profit and loss acount.

	31 December 2016		31 December 2015	
	+1%	-5%	+5%	-5%
Loans and advances to customers	20,565,286	(20,565,286)	13,561,722	

(13,561,722)				
Customer deposits and savings account 5,992,949	(20,455,042)	20,455,042	(5,992,949)	
TOTAL (7,568,773).	**358,196**	**(358,196)**	**7,568,773**	

21. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. The Bank controls these types of risks by means of maturity analysis, determining the Bank's strategy for the next financial period.

In order to monitor and manage the liquidity risk, the Bank calculates the following liquidity ratios:

- *Immediate liquidity:* this liquidity indicator is calculated as the ratio of highly liquid assets to total borrowed funds and is used for daily liquidity monitoring by the Bank's management and Treasury Division. The minimum limit established by the Bank's management for this indicator is 33%.
- *Liquidity indicator depending on maturity bands:* this liquidity indicator is calculated by dividing the assets of the Bank by its liabilities as adjusted by their remaining maturities. This indicator is calculated monthly and is monitored by the Bank's management and the Treasury Division. The minimum limit established by the Bank's management for this indicator is 100%.
- *Resources concentration degree:* this indicator is calculated to measure the dependence of the Bank on a single deponent or a group of related deponents and is calculated as the total funds from single deponents divided by the total borrowed funds. This indicator is calculated regularly and its maximum limit is established by the Bank's management at 40%.
- *Loans to total assets and loans to borrowed funds ratios:* these liquidity indicators are regularly calculated to establish if the strategic directions of the liquidity risk management policies are being followed within the credit policy of the Bank. The maximum limits established by the Bank's management for these indicators are 60%-62% and 70%-72%, respectively.

Maturity analysis of assets and liabilities as at December 31st, 2016 and December 31st, 2015 is disclosed in Notes 23 and 24. The assets and liabilities remaining maturities are presented therein, as established in contracts concluded by Bank. However, current accounts may have a maturity different from the one given by the contract, thus giving the remaining maturity based on effective reimbursement dates.

22. SOLVENCY INDICATORS

The Bank monitors its capital resources pursuant to the Regulations issued by the National Bank of Romania. The capital adequacy ratios are calculated based on the financial information prepared in accordance with Romanian National Bank prudential regulation. The Bank is required to measure solvency ratios by compasring its own funds to its risk weighted assets, including off balance sheet commitments as prescribed by the Regulations. As of 31 December 2016 and 2015, the Bank has complied with the minimum capital adequacy limit established by the National Bank of Romania at 8%.

23. TRANSACTIONS WITH RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or opeartional decisions.

The Bank has transactions with entities- members of Broadhurst Group NCH, the ultimate shareholder, as well as with the key members of the management which are summarized below:

	Group entities	Bank Management	Total
31 December 2016			
Loans or advances to customers	8,705,049	858,668	9,563,717
TOTAL ASSETS	8,705,049	858,668	9,563,717
Customer deposits and savings accounts	222,329,103	4,755,606	227,084,709
TOTAL LIABILITIES	222,329,103	4,755,606	227,084,709
Income from interest & commission	1,026,130	29,654	1,055,784
Expenses with interest & commissions	1,459,201	57,088	1,516,289
Commitments	8,521,888	136,763	8,658,651
31 December 2015			
Loans or advances to customers	4,267,569	376,936	4,644,505
TOTAL ASSETS	4,267,569	376,936	4,644,505
Customer deposits and savings	134,678,832	4,791,871	139,470,702
TOTAL LIABILITIES	134,678,832	4,791,871	139,470,702
Income from interest & commission	974,210	13,366	987,576
Expenses with interest & commissions	2,307,038	80,750	2,387,788
Commitments	6,370,600	199,850	6,570,450

All the transactions with related parties during the years 2016 and 2015 have been entered into at market terms.

21. ANALYSIS OF MATURITY OF FINANCIAL LIABILITIES BASED ON UNDISCOUNTED CASH FLOWS

The following table detail the Bank's remaining contractual maturities for its financial liabilities. This analysis has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Bank can be required to settle its liabilities, and include both interest and principal cash flow

	Up to 1 month	1-3 Months	3 Months - 1 year	1-5 years	Over 5 years	Total
31 December 2016						
Deposits from other banks	71,115,920	629,575,760	792,299,567	14,802,212	5,813,591	71,115,920
Customer deposits and savings account	1,541,418,689					2,983,909,818
Other liabilities	21,429,460	3,895,728	-	-	-	25,325,189
Loans from financial institutions	-	-	-	34,066,089	-	34,066,089
Total financial liabilities	1,633,964,069	633,471,488	792,299,567	48,868,301	5,813,591	3,114,417,016
Off balance sheet commitments	5,322,983	110,158	9,732,212	2,963,212	384,132	18,512,669
31 December 2015						
Customer deposits and savings account	1,137,661,775	505,387,971	530,524,779	20,239,022	1,159,857	2,194,973,404
Other liabilities	4.203.793	-	-	-	-	4.203.793
Loans from financial institutions	-	-	-	21,782,678	-	21,782,678
Total financial liabilities	1,141,865,568	505,387,971	530,524,779	42,021,700	1,159,857	2,220,959,875
Off balance sheet commitments	17,140,017	8,001,067	5,843,519	6,290,549	270,656	37,545,807

25. ANALYSIS OF ASSETS AND LIABILITIES REMAINING MATURITIES

31 December 2015	**up to 1 month**	**1 month up to 3 months included**	**3 months up to 1 year included**	**1 year up to 5 years included**	**Over 5 years**	**Non defined maturity**	**Total**
Assets							
Cash and balances with banks	188,715,572	-	-	-	-	-	188,715,572
Balances due from National Bank of Romania	621,153,220	-	-	-	-	-	621,153,220
Loans and advances from customers	53,511,132	71,894,406	263,290,789	792,596,644	909,736,127	-	2,091,029,098
Other assets	46,008,103	744,744	3,282,943	484,864	4,299	9,538,763	60,063,716
Investments	-	-	48,440,644	362,838,637	5,997,073	2,044,861	419,321,215
Fixed assets and intangible assets	-	-	-	-	-	9,653,815	9,653,815
Income tax-to be recovered	-	-	-	-	-	263,142	263,142
Total assets	**909,388,027**	**72,639,150**	**315,014,376**	**1,155,920,145**	**915,737,499**	**21,500,581**	**3,390,199,778**
Liabilities							
Deposits with other banks	20,500,920	-	50,008,542	-	-	-	70,509,462
Customers current and savings accounts	1,522,711,896	626,069,770	782,550,208	9,671,526	4,448,562	-	2,945,451,962
Other debts	21,429,460	3,895,728	-	-	-	-	25,325,189
Loans from financial institutions	-	-	-	32,186,304	-	-	32,186,304
Deferred tax liabilities	-	-	-	-	-	2,734,448	2,734,448
Total liabilities	**1,564,642,277**	**629,965,498**	**832,558,750**	**41,857,830**	**4,448,562**	**2,734,448**	**3,076,207,357**
Share capital	**-**	**-**	**-**	**-**	**-**	295.749.200	295.749.200
Referred earnings and reserves	**-**	**-**	**-**	**-**	**-**	18.243.221	18.243.221
Total shareholder's equity	**-**	**-**	**-**	**-**	**-**	**313,992,421**	**313,992,421**
Total liability and shareholder's equity	**1,564,642,277**	**629,965,498**	**832,558,750**	**41,857,830**	**4,448,562**	**316,726,861**	**3,390,199,778**
Liquidity risk at 31 December 2016	**(655,254,250)**	**(557,326,348)**	**(517,544,374)**	**1,114,062,315**	**911,288,937**	**(295,226,280)**	**-**
Cumulative liquidity gap	**(655,254,250)**	**1,212,580,598**	**1,730,124,972**	**(616,062,657)**	**295,280**	**-**	**-**

The short term refinancing of the Bank is ensured by the possibility of refinancing with other banks as well as by the availability of loan facility in amount of USD 60 million concluded with Broadhurst Investments Limited and by adopting an adequate interest policy which would allow attracting higher volume of resources.

25. ANALYSIS OF ASSETS AND LIABILITIES REMAINING MATURITIES (continued)

31 December 2015	**up to 1 month**	**1 month up to 3 months included**	**3 months up to 1 year included**	**1 year up to 5 years included**	**Over 5 years**	**Non defined maturity**	**Total**
Assets							
Cash and balances with banks	160,216,859	-	-	-	-	-	160,216,859
Balances due from National Bank of Romania	413,631,180	-	-	-	-	413,631,180	
Loans and advances from customers	136,583,469	83,703,690	334,476,151	497,861,639	301,282,235	-	1,353,907,183
Other assets	36,243,534	929,384	1,392,465	484,678	-	7,930,916	46,980,978
Investments	-	109,040,566	165,375,950	163,825,152	6,125,322	9,730,545	454,097,535
Fixed assets and intangible assets	-	-	-	-	-	8,795,163	8,795,163
Income tax-to be recovered	-	-	2,807,573	-	-	-	2,807,573
Total assets	**746,675,042**	**193,673,640**	**501,244,566**	**662,171,469**	**307,407,557**	**29,264,197**	**2,440,436,471**
Liabilities							
Customer deposits and current accounts	1,136,634,355	511,890,527	514,796,648	11,861,064	790,117	-	2,175,972,711
Other liabilities	4,203,793	-	-	-	-	1,784,255	5,988,048
Loans from financial institutions	-	-	-	21,782,678	-	-	21,782,678
Deferred tax liabilities	-	-	-	-	-	1,509,460	1,509,460
Total liabilities	**1,140,838,148**	**511,890,527**	**514,796,648**	**33,643,742**	**790,117**	**3,293,714**	**2,205,252,895**
Share capital	**-**	**-**	**-**	**-**	**-**	241,649,200	**241,649,200**
Referred earnings and reserves	**-**	**-**	**-**	**-**	**-**	(6,465,624)	**(6,465,624)**
Total shareholder's equity	**-**	**-**	**-**	**-**	**-**	**235,183,576**	**235,183,576**
Total liability and shareholder's equity	**1,140,838,148**	**511,890,527**	**514,796,648**	**33,643,742**	**790,117**	**238,477,290**	**2440,436,471**
Liquidity risk at 31 December 2016	**(394,163,106)**	**(318,216,887)**	**(113,552,082)**	**628,527,727**	**306,617,440**	**209,213,094**	**-**
Cumulative liquidity gap	**(394,163,106)**	**(712,379,993)**	**(725932,075)**	**(97,404,348)**	**(209,231,092)**	**(2)**	**-**

26. SUBSEQUENT EVENTS

At the end of March, it will be finished another capital increase of RON 29.8 mil.

These financial statements were approved by management on March 15th, 2017.

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Eugen Goga, Doina Andrei,

Vice President. Head of Finance Division.

ADMINISTRATORS' REPORT

LIBRA INTERNET BANK SA

31.12.2016

The accurate review of the evolution of the credit institution during the financial year and of its situation upon its completion:

LIBRA INTERNET BANK was established on November 25, 1996 and operates under license no. 000,025 Series B of 01/24/1997 issued by the National Bank of Romania

Legally, LIBRA INTERNET BANK is a fully private-owned stock company, established in accordance with Law no. 31/1991 and is registered with the Trade Register under no. J40/334/1996, with fiscal code R 8119644, and it is a member of the Romanian Banking Association.
The bank's headquarters is located at: 4-6 Semilunei Street, Bucharest, 2nd District.

LIBRA INTERNET BANK currently operates its business through the following 39 branches:

- **BUCHAREST branch** - registered with the Trade Register under no. J40/396/1998, operating as of 01 February 1998;
- **BANEASA branch** - registered with the Trade Register under no. J40/5917/1998, operating as of 01 May 1999;
- **ORADEA branch** - registered with the Trade Register under no. J05/770/2000, operating as of 12 February 2001;
- **CONSTANŢA branch** - registered with the Trade Register under no. J13/1769/13.10.2000, operating as of 06 March 2001;
- **STEFAN CEL MARE branch** - established on 22 December 2005 through the transformation of the AVIATORILOR Agency (Agency operating as of 21.05.2001);
- **IULIU MANIU branch** - established on 16 February 2005, registered with the Trade Register under no. J40/2915/2005;
- **PANTELIMON branch** - established on 02 February 2005, registered with the Trade Register under no. J40/1826/2005;
- **BUZAU branch** - established on 20 April 2005, registered with the Trade Register under no. J40/536/2005;
- **PITEŞTI branch** - established on 16 3une 2005, registered with the Trade Register under no. J03/1178/2005;
- **PLOIESTI2 branch** - established on 27 March 2006, registered with the Trade Register under no. J29/674/2006;
- **MOŞILOR branch** - established on 08 November 2005, registered with the Trade Register under no. J40/18810/2005;
- **BISTRITA branch** - established on 09 December 2005, registered with the Trade Register under no. J06/1015/2005;
- **SIBIU branch** - established on 06 December 2005, registered with the Trade Register under no. J32/1776/2005;
- **PIATRA NEAMT branch** - established on 20 February 2006, registered with the Trade Register under no. J27/230/2006;
- **IASI branch** - established on 29 March 2006, registered with the Trade Register under no.J22/786/2006;
- **BERCENI branch** - established on 11 April 2006, registered with the Trade Register under no. J40/6091/2006;
- **RAHOVA branch** - established on 12 May 2006, registered with the Trade Register under no.J40/7744/2006;
- **VOLUNTARI branch** - established on 12 June 2008, registered with the Trade Register under no.J23/1715/2008;
- **NERVATRAIAN branch** - established on 29 May 2008, registered with the Trade Register under no. J40/9450/2008;
- **CRAIOVA branch** - established on 8 July 2008, registered with the Trade Register under no.J16/1345/2008;
- **BRASOV branch** - established on 11 July 2008, registered with the Trade Register under no.J08/1906/2008;
- **DECEBAL branch** - established on 03 Nov 2010, headquartered in Bucharest, 7 Decebal Bd., building S 12, ground floor, 3rd district;

- **ION MIHALACHE branch,** J40/4759/2011, Bucharest Municipality, 35-37 Ion Mihalache Bd., 1st district;
- **CLUJ-NAPOCA branch, J12/1423/26.05.2011,** Cluj-Napoca Municipality, 10 Eroilor Bd., Cluj County;
- **AFUMAŢI branch, 323/1866/14.07.2011,** Afumaţi Village, Afumaţi Commune, 1 Fabricii Street, Till, P425, premises H9-M1, Ilfov County
- **TIMISOARA branch,** J35/1847/10.08.2011, Timisoara, 19 Int. Doinei Street, Timis County
- **Camil Ressu branch** - J40/6787/13.06.2012, Bucharest, 3rd District, 68 Camil Ressu Bd., building IB, plot 5
- **Bacau branch** - J4/782/13.08.2012, Bacau, 4 Calea Marasesti, entrance D, ground floor, Bacau County
- **Targu Mures branch** - J26/259/16.03.2012, Targu Mures, 6-8 Trandafirilor Square, Mures County
- **Braila branch** - J9/722/27.11.2013, 51 Calea Calarasilor, Plot 1, building 104, ground floor, Braila Municipality, Braila County
- **Drumul Taberei branch** - J40/13978/12.11.2013, 90 Drumul Taberei Street, building C8, ground floor, 6th District, Bucharest
- **Fundeni branch** - J23/2955/27.09.2013, Dobroiesti, 1-10 Dragonul Rosu Street, Dragonul Rosu Megashop shopping center, 1st floor, Premises Rl, Ilfov County;
- **Galati branch** - J17/950/01.08.2013, Galati Municipality, 17 Domneasca Street, Building B, ground floor, Galati County;
- **Regina Elisabeta branch** - J40/9559/30.07.2013, Bucharest, 63 Regina Elisabeta Bd., ground floor, 5th district;
- **Colentina branch** - J40/12992/21.10.2013, 274 Colentina Ave., ground floor, rooms 3 and 9, 2nd district, Bucharest
    - **13 Septembrie branch**-J40/l 1788/2014, **Calea** 13 **Septembrie, nr.** 114, **bl** 56, **sc** 1, **Bucharest**
- **Suceava branch** - J33/863/2014, str. Stefan cel Mare, nr. 17, ground floor + basement, rooms 14, 15, 16 - 17, sc. A-B, Suceava
- **Chitila branch** - J40/12134/2014, Şoseaua Chitilei nr. 101, Bucureşti
- **Jilava branch** - J23/3254/2014, Sos. Giurgiului nr. 221, Sat Jilava, Comuna Jilava, Judeţul Ilfov.
- **Podu Roş Iaşi branch** - J22/1824/2015, Municipiul Iaşi, Strada Sfântul Lazăr (fosta 7 Noiembrie), nr. 49, bl. Al-3, parter, Iasi, Judeţul Iaşi
- **PANTELIMON EST branch-** J40/13982/2015, Sos. Pantelimon nr. 286, bl.41, parter, sector 2, Bucuresti;
- **MAGHERU branch-** J40/626/21.01.2015, Bd. Gen. Gh. Magheru nr. 1-3, parter, Spatiul comercial "I", Sector 1, Bucuresti;
- **MARASTI CLUJ-NAPOCA branch**- J12/798/2015, B-dul 21 Decembrie 1989 nr. 148, parter, bloc B1, ap. 114, Cluj, Judet Cluj;
- **ARAD branch**- J2/636/2016, Bd. Revolutiei nr. 89, corp A, parter, ap. 1-B, jud. Arad;
- **BARNUTIU TIMISOARA branch**- J35/1358/2016, Str. Simion Barnutiu nr. 73-77, bl. 75, jud. Timis;
- **PLOIESTI CENTRAL branch**- J29/1758/2016, B-dul Republicii nr. 1, Complex (Hotel) Central, camerele nr. 1 si 2, Municipiul Ploiesti, judetul Prahova;
- **DOROBANTI branch**- J40/15998/2016, Calea Dorobanti nr. 111-113, bl. 98, Municipiul Bucuresti, sector 1;
- **CAPITOL CONSTANTA branch**- J13/205/2016, Bd. Tomis 132, bl. LE1-LE2, Constanta, Jud. Constanta.

As of 31.12.2016- **the Board of Directors** had the following structure:

- Ovidiu PETRE Melinte- president
- Cristina MAHIKA-VOICONI- vice-president
- Eugen GOGA- vice- president
- Siminel ANDREI- member

- Emilian BITULEANU- member
- Mihaela Biciu- member
- Mihaela Sirbu- member.

The administrators' professional training is as follows:

- **Ovidiu PETRE Melinte-** Engineer: The Polytechnic Institute- Major: Precision mechanics, Master of Business Administration

- **Cristina MAHIKA-VOICONI-** Economist: The Academy of Economic Studies, Master of Business Administration, Financial Auditor (intern), Vice-president of LIBRA INTERNET BANK

- **Eugen GOGA-** Economist: The Academy of Economic Studies, Major: International Economic Relations, Master of Business Administration
- **Siminel ANDREI-**Engineer: The Polytechnic Institute- Major: Transportation, Master of Business Administration

- **Emilian BITULEANU-**Engineer: The Polytechnic Institute- Major: Electronics and telecommunications, Postgraduate studies- enterprise management and financial analysis, Banking Management studies at the Academy of Economic Studies, Master of Business Administration.

- **Cristian Petrec-** engineer: The Polytechnic Institute- Major: Electronics and telecommunications, IROMA & Trade School of Marseille- management classes and Master of Business Administration.

- **Mihaela Biciu-** Economist: The Academy of Economic Studies, Faculty of Finance, Banking and Accounting, Master of Business Administration.

- **Mihaela Sirbu-** Economist: The Academy of Economic Studies, Faculty of Economic Studies in Foreign Languages- English Department, Master of Business Administration- Case Western Reserve University, Wheatherhead School of Management.

The Bank's executive management is done in accordance with the Bank's articles of association and with the legislation in force, by the **Steering Committee-** consisting of the following persons at the end of 2016:
- Emilian BITULEANU- General Director
- Cristina MAHIKA-VOICONI- Director
- Eugen GOGA- Director
- Cristian Petrec- Director.

A. Presentation of the asset and liability items from the Accounting Balance Sheet and profit and loss account

The Accounting Balance Sheet and the profit and loss account as of 31.12.2016 were drafted based on the summary trial balance sheet at the bank level:

Balance Sheet (all amounts are expressed in RON) at 31 December 2016 as follows:

Cash and deposits with banks	188,715,572
Current Account with the National Bank of Romania	621,153,220
Credits and receivables granted to customers	2,091,029,098
Investments in securities and participations	419,321,215
Fixed assets	9,653,815
Deferred tax	263,142
Other assets	61,958,343
Total assets	**3,392,094,404**

Customers current accounts and deposits	2,945,451,962
Loans from financial institutions	32,186,304
Tax liability	2,734,440
Other liabilities	27,219,815
Deposits from other banks	70,509,462
Total liabilities	**3,078,101,983**
Share capital	295,749,200
Retained earnings and reserves	18,243,221
Total equity	**313,992,421**
Total Liabilities and Equity	**3,392,094,405**

Profit and loss account (all the amounts are expressed in **RON**) on December 31st, 2016 is structured as follows:

Interest income	156,119,047
Interest expense	(33,164,521)
Net income from interests	**122,954,526**
Commission income	22,050,678
Commission expenses	(9,385,101)
Net income from commissions	**12,665,577**
Other income	25,619,045
Total income	**161,239,147**
Other operating expenses	(98,482,146)
(Expenses)/Revenues with provisions for credits and investments	(24,482,247)
(Expenses)/Revenues with provisions for risks and other commitments	(898,753)
Total expenses	**(123,863,146)**
Gross profit	**37,376,002**
Income tax	(4,874,085)
Deferred tax income/expense	-
Net profit	**32,501,916.**

B. Attracted funds and borrowed funds from clients bank loans

With regard to the resources attracted by the bank from individual clients and legal entities, throughout 2016 they were the main source of financing, following the development policy directed towards increasing the sources attracted by the Bank.

RON

Resources attracted from clients	**31.12.2016**	**31.12.2015**	**Variation 2016-2015**
LIQUIDITIES	**847,236,087**	**590,132,227**	**43,57%**
Individuals	139,438,147	25,466,126	447,54%
Legal entities	707,797,941	564,666,101	25,35%

TOTAL DEPOSITS	**2,098,215,878**	**1,585,840,482**	**32-31%**
Term deposits	2,045,504,160	1,550,523,752	31-92%
Collateral deposits	52,711,718	35,316,730	49,25%
TOTAL CLIENT RESOURCES	**2,945,451,965**	**2,175,972,709**	**35,36%.**

The volume of funds attracted from customers increased by 35%, while lending increased by 54%. The utilization rate of net loans/funds increased from 62% at 31.12.2015 to 71% at 31.12.2016.

RON

Type of resource	**31-December-16 Volume**	**%**	**31-December-15 Volume**	**%**
1. Treasury resources	**32,186,304**	**100%**	**21,782,678**	**100%**
A. Loans from Financial Institutions	32,186,304	100%	21,782,678	100%
2. Resources from clients	**2,945,451,965**	**100%**	**2,175,972,709**	**100%**
A. Current accounts	847,236,087	29%	590,132,227	27%
B. Client deposits	2,098,215,878	71%	1,585,840,482	73%
TOTAL ATTRACTED RESOURCES	**2.977.633.332**	**100%**	**2,197,755,387**	**100%.**

The Bank's strategy in regards to the banking products offered to its customers is summarized in the following commercial bank activities:

1. Attracting and placing resources (lending);
2. Operating cash-ins and payments both in Front office and On-line;
3. Card operations;

3. Specific Treasury opeartions: safeguarding and depository for shares;

4. Consultancy for getting financing from European funds;
5. Bank assurance services.

1. ATTRACTING AND PLACING RESOURCES

Libra Internet Bank SA Strategy in liquidity management falls within the Bank's general development strategy whose main strategic objectives are strengthening its position on the SME and professionals sector, extending the agriculture segment, loan portfolio's quality management and cost control.

The main objective of Libra Internet Bank in liquidity management is the adoption and maintenance of an optimal structure of bank assets and liabilities that allows:

- Maximizing the net revenue from interests, registered by the Bank, at an established asset level;

- Interest correlation with the market evolutions and the adjustment thereof according to the Bank's need for liquidities;

- The performance of the Bank's activity under optimum conditions, according to the established strategy, with the avoidance, to the greatest possible extent, of dysfunctions

that may occur following the undertaking of excessively high risks in the liquidity area;

- Minimizing any negative effects that may occur during crises, in terms of the Bank's liquidity.

Specifically, in the Bank's development plan for 2016, in the management of assets and liabilities and liquidity management, the following issues were considered:

- The quantity and quality correlation of the financing resources used by the Bank (mainly from the resources attracted from natural and legal person- depositors) with the investment volume; to this extent, the following issues shall be considered:

  a) the dispersion of the sources attracted for as many depositors as possible, per foreign currencies (in correlation with the structuring of the investments per currencies) and per adequate time horizons (short, medium or long);

  b) the permanent maintenance of communication with the Bank's stable clients, resource suppliers, from the category of large depositors, both at the level of the territorial units and at a centralized level, so as to anticipate the intentions and availability thereof concerning the investments performed by the Bank;

  c) together with the evolution of the attracted resources, the adeqaute provision of own funds was also considered, so as to maintain the Bank's financial stability and credit worthiness; the adequacy requirement of the equity to the risks the Bank was exposed to has been met.

- The quality and quantity maintenance of the credits granted to clients at the budgeted levels:

  - monitoring the balance level afferent to granted credits and establishing a maximum ceiling for the balance of foreign currency credits;

  - carefully structuring the credit portfolio in terms of the maturity thereof, as well as of the structure per foreign currencies, in strict correlation with the nature and type of Bank resources (equities and borrowed funds). To this extent, the observance of the limits establshed by the regulations of the National Bank of Romania on the liquidity of banks should be checked;

  - prudence both in terms of analyzing the repayment capacity and in terms of accepting guarantees; emphasis placed on the acceptance of guarantee fund guarantees, micro-credit guarantees through European funds;

  -focus towards premium clients, accessing AgriBusiness clients.

- Improving the resource attraction policy in correlation with crediting policy, by increasing cohesion between the resource attraction policies and the crediting policy, respectively:

  - managing the margins between asset and liability interests;

  -satisfactory administration of liquid assets in correlation with the evolution of the attracted sources (in terms of the typology of clients, currencies and terms);

  -improving the cross-selling activity.

- Expanding the on-line sales channel.

- Maintaining the low level of the fixed asset volume and the costs generated thereby by: outsourcing (request of services performed by companies that specialize in a series of activities), reducing the areas from the branch perimeter, renegotiating leases or relocating the units where the Bank performs its business.

- Establishing minimum liquidity levels (expressed via liquidity indicators) and monitoring them on adequate time horizons (intraday or very short, medium and long terms).

- Ensuring the segregation of the attributions and of the independence of operational positions and of positions concerning the monitoring of the Bank's liquidity status.

- Establishing and maintaining at least a minimum level of eligible financial assets that can be used in liquidity procurement transactions (by transforming them in liquidities or by using them in collateralized transactions) under normal and liquidity crisis conditions; to this extent, eligible financial assets are deemed to be government bonds and deposit certificates issued by the Ministry of Finance or by the National Bank of Romania.

- Exclusively performing activities in convertible currency.

- Establishing and maintaining work lines with other banks that are mostly active on the internal market; establishing correspondence relations with first ranking banks on the international market; interchange activities concerning the money market, foreign exchange, the trading of government bonds and deposit certificates issued by the National Bank of Romania shall be mainly carried out on the Romanian market or on the European market.

- Assessing the implications that the custody and settlement activities may have over the position of the Bank's liquidities and over other potential risks. To this extent, the Bank shall request the supply of storage and custody services only from institutions organized for the provision of services to this extent that are adequately regulated and supervised by the financial-banking surveillance authorities in EU and EEA member states.

The total net profit resulting from the fund attracting and investment activity, registered in 2016, based on the structure of assets and liabilities, was established at RON 123 million comparing with RON 92.6 million in 2015.

The effective monitoring of the Bank's liquidity was carried out based on the liquidity management strategy, through the permanent surveillance of the liquidity and forecast fluctuations, in correlation with the annually approved institution budget and through indictors, models and scenarios whose sufficiency and complexity are periodically revised. According to the strategy, the Bank had to permanently maintain an adequate level of the liquid assets, according to the volume and structure of the attracted resources. The meeting of the time limits established by the Bank's strategy and risk profile (the immediate liquidity indicators, the gross credit indicators in the total attracted sources and grosscredits in the total gross assets, the liquidity indicator per maturity bands, the internal liquidity indicator, the level of resource concentration per depositors) was set.

Thus, the immediate liquidity indicator registered at 31 December 2016 was 41%, comparing with 43% at 31 December 2015. The gross credits in the total attracted sources from clients

registered a 73% annual average level, the gross credits in the total net assets registered a 682% average and all the established indicators have met the budgeted limits.

2. COLLECTION AND PAYMENT

In 2016, the total number of operations carried out by the Bank increased by 19% (Front-office and Pay-office payments and receipts amounted to 5,841,273 in 2016 compared to 4.906.385 in 2015).

3. THE MAIN TREASURY PRODUCT that is currently provided to the bank's customers is spot exchange transactions.

Another service provided to its customers and the area in which the bank has acquired significant experience is custody of personal property and depository activity for investment funds.

The bank performs settlement, compensation, depositing and custody activities for investment funds, with over 10 years of experience in receiving, maintaining, registering, auditing, monitoring and controlling assets, in keeping records of equity interests, in the distribution of dividends, as well as in the calculation of the net asset value, of drawing up reports to the surveillance bodies, in accordance with the legislation in the field. Throughout the period when Libra Bank operated as a depositary of the Fund for Businesspeople, the portfolio structure permanently improved, within the regulations of the Romanian National Securities Commission.

1. Card activity in 2016

Issuing:

At the end of 2016 there were 27.715 valid cards, while at the end of 2015 there were

23.509. The types of cards available at the end of 2016 were:

Libra Free;

Libra Free Online;

Libra Junior;

Libra Gold;

Libra Gold Online;

Libra Gold Tradeville;

Libra Business Standard Libra Business Executor;

Libra Business Medical.

- **Card fraud**:

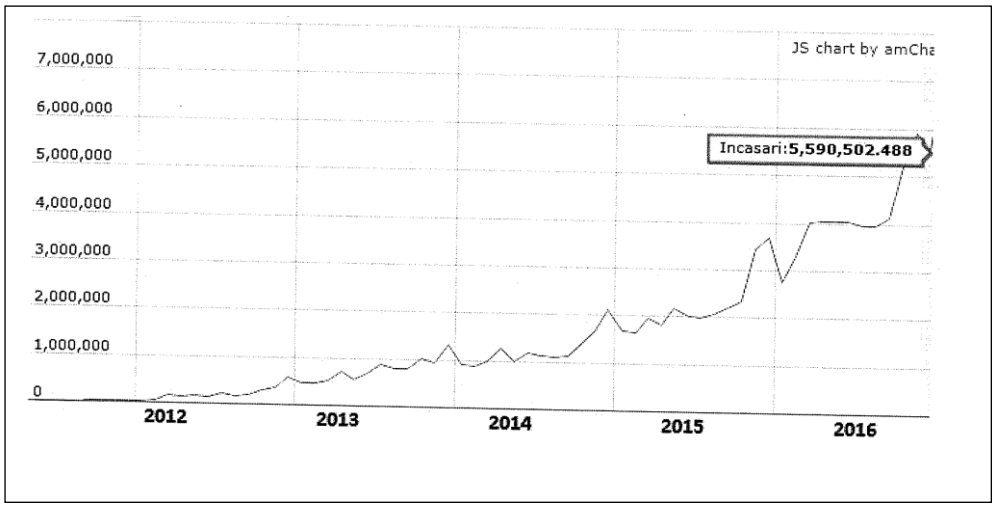
In 2016, there were 76 fraudulent transactions totaling 49,645 RON. For their recovery we used chargebacks, Debt Collection Division and recovery through an insurance that was made against fraud on cards issued by Libra Internet Bank.

2. Libra Pay's activity

LIBRA Pay is a modern electronic payment system launched in 2012, with the advantage of a fast settlement between buyer and merchant, on the same day the transaction, being defined by a triple principle for online payments: 3S -Security, Support, Simplicity.

This product's success has been proven by the 2.47 million RON turnover recorded in 2012, a 9.2 million RON turnover in 2013, 14.7 million RON turnover in 2014, 27 million RON turnover in 2015 and 50 million RON turnover in 2016. In 2012, Libra Internet Bank has been awarded the e-Novation award during the 9th edition of the e-Finance Gala Awards for Libra Pay's "T + 0" facility - the first integrated service for online payment processing launched by Libra Internet Bank and the only one on the Romanian market to offer same-day transaction settlement.

Volumes Collections 5,590,502,488



3. Dealings on the Capital market

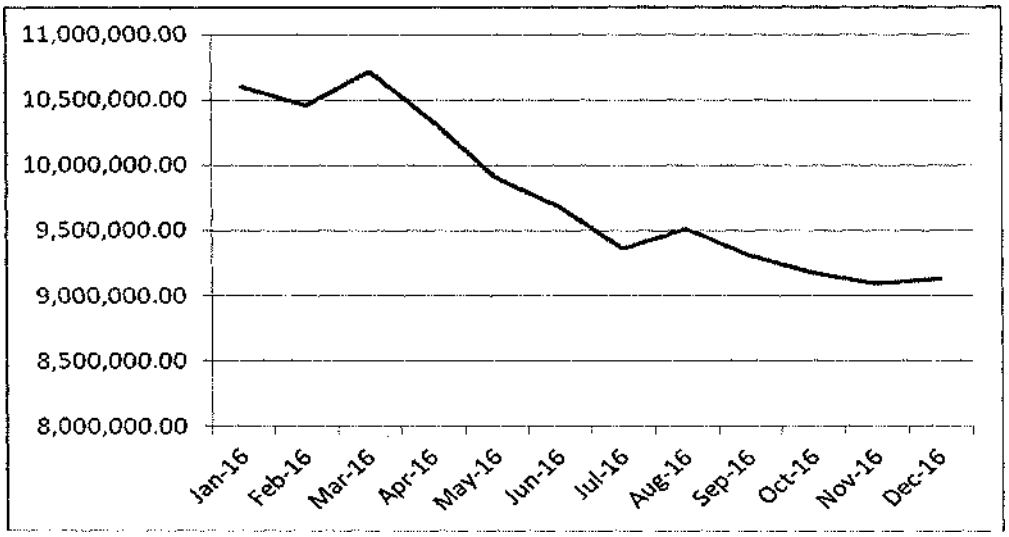
- **Depository activity**

In 2016, Libra Internet Bank SA completed the depository activity for the Fund for Business People (F.O.A.) and Safi Obligatiuni assets, managed by SAI Safi Invest SA, in accordance with the provisions of Regulation no. 15/2004 and Regulation no. 9/2014 on the authorization and operation of investment administration companies, of undertaking for collective investment and of depositories and it is registered with the Registry of the Romanian National Securities Commission, under no. PJR10DEPR/400006/11.11.2003, in accordance with the Certificate isdsued by the Romanian National Securities Commission no. 81/13.02.2006. As of 30.08.2006, the Fund for Business People was registered with the Romanian National Securities Commission as Other undertakings for collective investment, specialized in stock investments, established through the public attraction of financial resources from natural and legal persons.

The Fund Safi Obligatiuni was authorized on 06.03.2013 as Open Fund, specialized in fixed income instruments (mainly in bonds, government bonds, treasury bills and deposits). The F.O.A. assets registered fluctuations in 2016 due to the value of the quoted stocks included in the portfolio, similar to the fluctuation on the Bucharest Stock Exchange. The maximum value was registered in March (RON 10.71 mil.) and the minimum value was registered in November (RON 9.09 mil.).

The Safi Obligatiuni assets increased from a value of RON 38.512 in January to a value of RON 44,547 in December.

The revenues registered from the depository activity in 2016 amounted to RON **144.460** (exclusive of VAT).



In 2016, Libra Internet Bank S.A. performed the custody activity for the Fund for Businesspeople and for the companies of the New Century Holdings XI, LP, New Europe Property Fund LP, NCH Agribusiness Partners, LP and NCH Investor Services groups within the meaning of individual Certificate no. 313, under which Libra Internet Bank SA was registered with the Romanian National Securities Commission Registry, Section 1 Agents providing financial investment services in Romania, Sub-section 2 Romanian credit institutions, under number PJR01INCR/400013.

The revenues from the custody activity in 2016 amounted to RON **96.041.**

- **Settlement activity**

The settlment activity is done through participation in the multilateral compensation in the Electronic Payment System for the clients of the financial investment service company (FISC).

The activity for the compensation of funds and the settlement of transactions with financial instruments was carried out in 2015 for 2 FISC clients: SSIF INTERVAM S.A., SSIF VANGUARD S.A., SSIF ACTIVE INTERNATIONAL S.A, and for the custody activity.

In 2016, the total value of the amounts settled (charges and payments) by Libra Bank S.A. for its clients amounted to lei 130.162.533 for transactions performed with the BVB, and the charged fees amounted to lei **13.784.**

- **Activity regarding investment securities (government bonds) and portfolio securities (Libra Internet Bank S.A's. stakes in other private companies)**

As at 31.12.2016, the government bond portfolio of Libra Internet Bank S.A. consisted of lei 417.3 million and euro 4 million - denominated government bonds with a coupon, lei 411.28 million and euro 4 million have a maturity of under 5 years, and lei 5.9 million have a maturity of over 5 year. The revenues attached to these available to sell securities amounted to lei **6.414.292.**

The share portfolio held by the bank with other trading companies had little variation compared to 2015, and thus, at the end of 2016, the Bank's portfolio included 37.033 shares with Casa de Compensare Bucharest SA, 172 shares of Societatea De Transfer De Fonduri Si Decontări TRANSFOND S.A., 7 share of the Society for WorldWide Interbank Financial Telecommunication - S.W.I.F.T, 74.985 shares of Biroul de Credit S.A., 499.836 shares of Elvila S.A., 999 shares of SOPAS - Servicii Financiare&Leasing SA and 650 common preferred share series C of VISA Inc.,

After the purchase of VISA Europe Limited by VISA Inc based on our contribution to VISA Europe's business the amount received from Visa Inc amounted **1,789,966 EUR**.

In 2016, the dividend income totaled RON **485,036**

4. Analysis of credit activity (RON)

The gross loan portfolio at 31.12.2016 amounted to 2,140,368,540 RON, with a 48% increase compared to 31.12.2015 when its value was **1,444,187,336 RON**.

Presentation of loan portfolio	31 December 2016	31 December 2015
Not impaired portfolio	353,908,257	232,010,640
Impaired portfolio	1,786,460.283	1,212,176,697
	2,140,367,859	1,444,187,336
Minus: Credit risk provisions	(49,339,442)	(90.280.153)
Total net loans	**2.091.028.417**	**1.353.907.183**

Throughout 2016, the net loan portfolio increased by 54%, while the credit risk provisions decresed by 45%. The provision of loans decresed due to the write-off an amount of 70.154.455 lei provisioned 100%.

5. Analysis of kev financial indicators and prudential indicators.

In regard to the assessment of solvency, liquidity and asset structure, we note the following significant issues:

The **solvency** report calculated as the ratio between own funds and the risk-weighted assets, had registered values that were superior to the minimum level established by the National Bank of Romania. The solvency ratio as of 31.12.2016, calculated based in equity, amounted to 9.8%, while at 31.12.2015 it amounted to 13.48%. The minimum level accepted by the National Bank of Romania is 8%.The solvency decrese recorded in December 2016 was due to applying a higher credit risk in rate computation for loan portfolio of Real estate (Project Finance - 150% camparing wit 100% before).

- **The equity ratio**, calculated as the ratio between equities and the total assets, reflects the extent to which the patrimonial assets are funded from own sources. As of 31 December 2016, the indicator amounted to 9.3%, compared to 11.1% on 31 December 2015.
- **The share of fixed assets in relation to the total assets**, calculated as the ratio between the fixed assets and the total assets, is 0.28%, compared to 0.36% in 2015, and the indicator certifies the decrease of capital assets out of the total fixed assets.
- **The basic efficiency rate**, calculated as the ratio between the current revenues (except for revenues from provisions and retrievals of depreciated receivables) and current costs (except for costs for provisions and losses from non-retrievable receivables) amounts to 140% as of 31.12.2016, compared to 139% in 2015.
- **The liquidity ratio**, calculated as the ratio between the actual liquidity and the necessary liquidity according to the legal norms of the National Bank of Romania in force is 1.8% on 31.12.2016, compared to 2.45 on 31.12.2015.

Investments

The total investments made by the Bank in 2016 increased by 42% from 2.856.181 RON in 2015 to 4.055.667 RON in 2016.The big increase was on cars (633,238 RON more in 2016 than in 2015) and 533,000 RON Temenos licences for the upgrade done to core banking in 2016).

Analysis of operating costs

The operating costs including depreciation, increased in 2016 by 20% compared to 2015, while operating expenses excluding depreciation also increased by 21% compared to the same period of 2015. Depreciation in 2016 increased by 1% compared to 2015.

Information on the probable evolution of the bank as per the 2017 Budget

Business goals for 2017

In 2017, Libra Internet Bank intends to have a 21% increase in the volume of business, with a focus on the most efficient portfolios in the context of monitoring the efficiency of sales and a performance-based bonus system.

New lines of action in 2017 will lead to a re-settling of the bank with new lines business and a resized head office:

- Increase the number of clients and maintaining the existent ones;
- Increase the number of operations of the clients and their turnover with the bank;
- Achieving a better efficiency of the operational flow (re-defining the flows in order to be simple and efficient, rescaling the personnel including implementing back up positions for high turnover personnel positions and achieving a better training for new entrants in the organization);
- Accelerating the internet operating, products and volumes in the bank.
- Implementing new projects: Factoring, MIS (Management Information System within Risk Administration Division)

- Extendin actions for acquiring new credit lines from FEI and EBRD
- New products as multu options and multy facilities;
- Financing new industries: Logistics and textils; A new deposit platform for atractiong deposits from Germany.
- Implementing IFRS 9
- A new Mobile banking application, a new web-site and starting the Project API

Volume objectives:

The lending activity will grow by 27% in the following structure:

LOANS (PRINCIPAL RON EQUIV.)	Budget 17-Dec	Structure
Large corporate	566,017,385	21%
Corporate	1,401,758,61	52%
IMM	67,568,637	2%
Agribusiness	160,003,378	6%
Professionals	486,219,565	18%
Retail	30,001,832	1%
Total	**2,711,569,411**	**100%**

DEPOSITS AND CURRENT ACCOUNTS Budget (OUTSTANDING RON EQUIV.)	Budget **17-Dec**	**Structure**
Large Corporate	304,611,549	8%
Corporate	1,200,044,221	33%
IMM	14,999,999	0%
Agribusiness	10,000,000	0%
Professionals	649,923,439	18%
Retail	1,451,122,978	40%
Total	**3,630,702,187**	**100%**

The resources attracting activity (deposits and current accounts) will seek to increase the lending activity in order to provide the resources and liquidity reserves required. In 2017 the bank's strategy is to maintain an immediate liquidity at around 41%.

In regard to the target level of active and passive interests for 2017, the estimate evolution is as follows:

Financial objectives

In line with the sales estimates for 2017, the budgetary financial structure for the end of the year is estimated to fall within the following parameters:

Balance	RON BUDGET 2017
Loans to customers	2,711,569,411
TOTAL ASSETS	**4,238,605,780**
TOTAL LIABILITIES	**3,854,021,696**
TOTAL CAPITAL	**384,584,085**

Profit/Loss account

	RON BUDGET 2017
	180,071,202
NET INCOME BEFORE OPERATING COSTS OPERATING INCOME BEFORE	58.367.334
PROVISIONS PROFIT/LOSS BEFORE TAX TAXES	36.367.334
	(5,818,773)
NET PROFIT	**30,548,560**

The financial estimates were based on the sales volumes and profitability levels projected for the end of 2017. In terms of risk costs the main premise is the involution of non-performing loans and the continuing downtrend of 2016.

The estimated profit for the end of 2017 in the amount of 30,548,560 RON compared to 24,456,384 RON estimated in 2016, based on an increase in business volume by 27% represents a cautious position adopted by the bank for balancing the risk / return ratio by selecting low risk clients.

Efficiency and caution objectives (indicators)

Libra Internet Bank intends to have a moderate increase in business volume, on the conditions of:

1. Maintaining a level of high satisfaction among clients
2. Maintaining cautious limits to banking activities

In 2017 Libra Internet Bank will continue to optimize its banking operations mainly through an increased efficiency and innovation by developing alternative distribution channels. A main direction for 2017 is to increase the on line products and on- line activity of the clients through the Digital branch.

In regards to the general strategy on the internal control system, Libra Internet Bank has resolved to maintain its control objectives of risk indicators at levels of caution to develop the compliance function in line with market requirements and recommendations of the National Bank of Romania and to have zero tolerance for fraudulent activities.

President of Board of Directors— OVIDIU PETRE MELINTE

Director Eugen Goga