Banca Transilvania S.A.

Separate Financial Statements

for the year ended 31 December 2012

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

Free translation

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Separate income statement

For the year ended 31 December

	Note	2012	2011
		RON thousand	***RON thousand***
Interest income		2,012,405	1,804,239
Interest expense		(1,074,536)	(932,360)
Net interest income	7	**937,869**	**871,879**
Fee and commission income		487,716	440,952
Fee and commission expense		(63,016)	(51,677)
Net fee and commission income	8	**424,700**	**389,275**
Net trading income	9	131,164	117,088
Other operating income	10	42,812	24,425
Operating income		**1,536,545**	**1,402,667**
Net impairment losses for assets, other contingencies and loan commitments	11	(379,427)	(380,798)
Personnel expenses	12	(409,595)	(368,916)
Depreciation and amortization	21,22	(46,422)	(49,261)
Other operating expenses	13	(360,342)	(325,448)
Operating expenses		**(1,195,786)**	**(1,124,423)**
Profit before income tax		**340,759**	**278,244**
Income tax expense	14	(20,327)	(49,697)
Profit for the year		**320,432**	**228,547**

The separate financial statements were approved by the Board of Directors on 27 March 2013 and were signed on its behalf by:

Horia Ciorcila
Chairman

Mariana Ilea
Deputy Director D.C.G.

The accompanying notes from pages 8 to 70 form an integral part of these separate financial statements.

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

Separate statement of comprehensive income

For the year ended 31 December

	Note	2012 *RON thousand*	2011 *RON thousand*
Profit for the year		**320,432**	**228,547**
Other comprehensive income, net of income tax			
Gains/(losses) from fair value changes of financial assets available for sale (net of deferred tax)		90,139	(1,855)
Other comprehensive income, net of tax		(33,652)	21,517
Gains from revaluation of tangible assets		4,738	-
Total comprehensive income for the period		**381,657**	**248,209**

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Separate statement of financial position

As at 31 December

	Note	2012 *RON thousand*	2011 *RON thousand*
Assets			
Cash and cash equivalents	15	5,576,290	4,546,532
Placements with banks	16	1,383,114	769,427
Financial assets at fair value through profit and loss	17	39,179	119,521
Loans and advances to customers	18	15,457,481	14,035,290
Investment securities, available for sale	19	6,529,701	5,813,219
Investment securities, held to maturity	19	-	819
Property and equipment	21	290,006	266,586
Intangible assets	22	80,090	69,136
Equity investments	20	74,053	69,978
Deferred tax assets	23	-	26,974
Other assets	24	142,130	100,364
Total assets		**29,572,044**	**25,817,846**
Liabilities			
Deposits from banks	25	45,953	251,181
Deposits from customers	26	23,232,922	20,280,230
Loans from banks and other financial institutions	27	2,969,302	2,468,988
Subordinated liabilities	28	288,810	260,148
Deferred tax liabilities	23	28,228	-
Other liabilities	29	311,892	237,495
Total liabilities		**26,877,107**	**23,498,042**
Equity			
Share capital	30	1,989,543	1,860,159
Share premium		-	732
Retained earnings		376,144	234,983
Own shares		(7,752)	(1,904)
Revaluation reserve		38,125	34,134
Other reserves	31	298,877	191,700
Total equity		**2,694,937**	**2,319,804**
Total liabilities and equity		**29,572,044**	**25,817,846**

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Banca Transilvania S.A.

Separate statement of changes in equity

For the year ended 31 December 2012

In RON thousand	Share capital	Share premium	Own shares	Revaluation Reserves	Other reserves	Retained earnings	Total
Balance as at 31 December 2011	**1,860,159**	**732**	**(1,904)**	**34,134**	**191,700**	**234,983**	**2,319,804**
Total comprehensive income for the period							
Profit for the year	-	-	-	-	-	320,432	**320,432**
Other comprehensive income, net of income tax							
Transfer from revaluation surplus to retained earnings	-	-	-	(747)	-	747	**-**
Reevaluation reserve	-	-	-	4,738	-	-	**4,738**
Fair values gains from available for sale financial assets (net of deferred tax)	-	-	-	-	90,139	-	**90,139**
Other comprehensive income	-	-	-	-	-	(33,652)	**(33,652)**
Total comprehensive income for the period	**-**	**-**	**-**	**3,991**	**90,139**	**287,527**	**381,657**
Increase in share capital through conversion of reserves from the statutory profit	128,652	-	-	-	-	(128,652)	**-**
Acquisitions of own shares	-	-	(20,945)	-	-	-	**(20,945)**
Increase in share capital through incorporation of share premiums	732	(732)	-	-	-	-	-
Distribution to statutory reserves	-	-	-	-	17,038	(17,038)	-
Share based payments	-	-	15,097	-	-	(676)	**14,421**
Total contributions by shareholders	**129,384**	**(732)**	**(5,848)**	**-**	**17,038**	**(146,366)**	**(6,524)**
Balance at 31 December 2012	**1,989,543**	**-**	**(7,752)**	**38,125**	**298,877**	**376,144**	**2,694,937**

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Banca Transilvania S.A.

Separate statement of changes in equity

For the year ended 31 December 2011

In RON thousand	**Share capital**	**Share premium**	**Own shares**	**Revaluation reserves**	**Other re-serves**	**Retained earnings**	**Total**
Balance as at 31 December 2010	**1,560,500**	**-**	**-**	**26,874**	**184,266**	**300,406**	**2,072,046**
Total comprehensive income for the period							
Profit for the year	-	-	-	-	-	228,547	**228,547**
Other comprehensive income, net of income tax							
Transfer from revaluation surplus to retained earnings	-	-	-	(1,080)	-	1,080	-
Fair values gains from available for sale financial assets (net of deferred tax)	-	-	-	-	(1,855)	-	**(1,855)**
Other comprehensive income	(3,398)	-	-	8,340	-	16,575	**21,517**
Total comprehensive income for the period	**(3,398)**	**-**	**-**	**7,260**	**(1,855)**	**246,202**	**248,209**
Increase in share capital through conversion of reserves from the statutory profit	302,336	-	-	-	-	(302,336)	-
Acquisitions of own shares	-	-	(1,904)	-	-	-	**(1,904)**
Increase in share capital by cash contribution	721	732	-	-	-	-	**1,453**
Distribution to statutory reserves	-	-	-	-	9,289	(9,289)	-
Total contributions by shareholders	**303,057**	**732**	**(1,904)**	**-**	**9,289**	**(311,625)**	**(451)**
Balance at 31 December 2011	**1,860,159**	**732**	**(1,904)**	**34,134**	**191,700**	**234,983**	**2,319,804**

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Banca Transilvania S.A.

Separate statement of cash flows

for the year ended 31 December

In RON thousand	**Note**	**2012**	**2011**
Cash flow from operating activities			
Profit for the year		**320,432**	**228,547**
Adjustments for:			
Depreciation and amortization	21,22	46,422	49,261
Provisions and write-offs of financial assets, other contingencies and loan commitments	11	380,955	381,335
Fair value adjustment of financial assets at fair value through profit and loss		(11,829)	4,844
Income tax expense	14	20,327	49,697
Other adjustments		(9,015)	(89,438)
Net profit adjusted with non-monetary elements		**747,292**	**632,652**
Changes in operating assets and liabilities			
Change in investment securities		(518,314)	(2,007,002)
Change in deposits and placements with banks		216,290	26,326
Change in loans and advances to customers		(1,780,143)	(2,010,368)
Change in financial assets at fair value through profit and loss		92,170	(34,351)
Change in other assets		(58,586)	(24,154)
Change in deposits from banks		(205,032)	(82,036)
Change in deposits from customers		2,913,886	2,927,950
Change in other liabilities		121,597	81,649
Income tax paid		(67,382)	(47,878)
Net cash from / (used in) operating activities		**1,461,778**	**(537,212)**
Cash flow from (used in) investing activities			
Net acquisitions of tangible and intangible assets		(71,941)	(88,125)
Acquisition of equity investments		(1,280)	(16,500)
Dividends collected	10	664	422
		—	—
Net cash flow proceeds / (used in) investing activities		**(72,557)**	**(104,203)**
Cash flow from / (used in) financing activities			
Proceeds from increase of share capital		-	1,454
Net collections/(payments) from loans from banks and other financial institutions, subordinated debts and debt securities issued		491,052	1,068,084
Collections from investments held to maturity		780	1
Payments for own shares		(20,945)	(1,904)
Net cash from financing activities		**470,887**	**1,067,635**

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Separate statement of cash flows (continued)

For the year ended 31 December

In RON thousand	**2012**	**2011**
Net increase in cash and cash equivalents	1,860,108	426,220
Cash and cash equivalents at 1 January	5,019,370	4,593,150
Cash and cash equivalents at 31 December	**6,879,478**	**5,019,370**

Reconciliation of cash and cash equivalents to separate statement of financial position

In RON thousand	**Note**	**31 December 2012**	**31 December 2011**
Cash and cash equivalents	15	5,576,290	4,546,532
Placements with banks, less than 3 months maturity		1,304,788	474,812
Less accrued interest		(1,600)	(1,974)
Cash and cash equivalents in the separate cash flow statement		**6,879,478**	**5,019,370**

Cash flows from operating activities include:

In RON thousand	**2012**	**2011**
Interest collected	1,926,976	1,712,012
Interest paid	1,035,287	906,285

1. Reporting entity and basis of preparation

a) Reporting entity

Banca Transilvania S.A. was incorporated in Romania in 1993 and is licensed by the National Bank of Romania to conduct banking activities. The Bank started its activity in 1994 and its main operations involve banking services for corporate and individuals.
The Bank carries its activity through its business place in Cluj-Napoca and 63 branches, 445 agencies, 31 bank units, 10 medical divisions and 1 regional centre located in Bucharest (2011: 63 branches, 447 agencies, 32 bank units, 10 medical divisions and 1 regional centre located in Bucharest) throughout the country and in Cyprus (a branch opened in 2007). The Bank accepts deposits and grants loans, carries out funds transfers in Romania and abroad, exchanges currencies and provides banking services for its corporate and retail customers.

The patrimony structure of the Cyprus branch as at 31 December 2012 was the following: total assets – RON 618,475 thousands (31 December 2011: RON 326,169 thousand); total liabilities – RON 618,946 thousand (31 December 2011: RON 326,115 thousand), loss – RON 471 thousand (2011: profit – RON 54 thousand).

The Bank's number of employees as at 31 December 2012 was 6,780 (31 December 2011: 6,788).

The registered address of the Bank is 8 George Baritiu Street, Cluj-Napoca, Romania.

The structure of the equity holders of the Bank is presented below:

	31 December 2012	31 December 2011
European Bank for Reconstruction and Development ("EBRD")	14.61%	14.61%
Romanian individuals	23.06%	25.98%
Romanian companies	26.32%	26.35%
Foreign individuals	2.84%	2.21%
Foreign companies	33.17%	30.85%
Total	**100%**	**100%**

The Bank's shares are listed on the Bucharest Stock Exchange and are traded under the symbol TLV.

b) Statement of compliance

The separate financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union, effective at the Bank's annual reporting date, 31 December 2012.

According with provisions of Order 27/2010 issued by National Bank of Romania, starting with 1 January 2012 the Bank applies IFRS as endorsed by European Union as statutory financial reporting framework. Transition from financial statements prepared based on Romanian Accounting standards in place until 31 December 2011 to IFRS was based on the information from financial statements as at 31 December 2011 prepared by the Bank in accordance with IFRS as endorsed by the European Union. The IFRSs relevant for the Bank were the same as those endorsed by the European Union for both years, therefore there is no effect on the Bank's accounting policies from the change of financial reporting framework applied.

The Bank also prepares a set of consolidated financial statements of the Group in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union, effective at the Group annual reporting date, 31 December 2012.

1. Reporting entity and basis of preparation (continued)

c) Basis of measurement

The separate financial statements of the Bank are prepared on a fair value basis: financial assets and liabilities at fair value through profit or loss and available for sale financial instruments, except from those where the fair value could not be determined reliably.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost, revaluated amount or historical cost. Non-current assets held for sale are stated at the lower of net carrying amount and fair value, less cost to sale.

The Bank's investments in subsidiaries and in associates are accounted at cost according to IAS 27 „Consolidated and Separate Financial Statements" in these separate financial statements.

d) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The separate financial statements are presented in Romanian lei - "RON", which is the Bank's functional and presentation currency, rounded to the nearest thousand.

e) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS as endorsed by the European Union implies the use by management of estimates and judgments affecting the application of accounting policies as well as the reported value of assets, liabilities, income and expenses. Such estimates and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of judgments used in assessing the carrying value of assets and liabilities for which no other evaluation sources are available. Actual results may differ from estimated values.

The estimates and judgments are reviewed periodically. The reviews of the accounting estimates are recognized in the review period if such review affects only that period or in the period when the estimate is reviewed and the periods to come if it affects both current and future periods.

The information related to the estimates used in the application of the accounting policies having a significant impact on the separate financial statements as well as the estimates involving a significant degree of uncertainty are described in Notes 3 and 4.

2. Significant accounting policies

The significant accounting policies and methods were consistently applied by the Bank during the years presented in these separate financial statements.

a) Foreign currency operations

i) Foreign currency operations

The foreign currency operations are booked in RON at the official exchange rate outstanding at the trading date. Monetary assets and liabilities denominated in foreign currencies at the date when the separate statement of the financial position is prepared are translated into the functional currency at the exchange rate at that date. The gains and losses from their settlement and the translations of balances using the exchange rate at the end of the financial year are recognized in the income statement, except for the ones booked in equity as a result of applying the hedge accounting.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the operational currency at the exchange rate existing at the date when the fair value is determined.

Foreign currency differences arising from translation are recognized in profit or loss.

ii) Translation of foreign currency operations

The results and financial position of foreign currency operations are translated into the functional currency of the Bank as follows:

- assets and liabilities, both monetary and non-monetary, of this entity have been translated at the exchange rate at the date of the separate financial statements position;
- income and expenses items of these operations have been translated at the average exchange rate of the period, as estimate for the exchange rates at the transaction dates; and
- all resulting differences have been classified as equity until the disposal of the investment.

The exchange rates of major foreign currencies were:

Currency	31 December 2012	31 December 2011	Variation %
Euro (EUR)	1: LEU 4.4287	1: LEU 4.3197	2.52%
US Dollar (USD)	1: LEU 3.3575	1: LEU 3.3393	0.55%

For the Cyprus branch, the Bank measures in RON the debit and credit movement and balances denominated in foreign currency from the trial balance at the exchange rate of the last day of the reporting period, and aggregates them with trial balance prepared for the economic and financial operations carried out in the country.

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2. Significant accounting policies (continued)

b) Accounting method for the effect of hyperinflation

According to IAS 29 and IAS 21 requires that the financial statements of an entity that has the functional currency of a hyperinflationary economy must be presented in terms of current purchasing power of the currency at the date of the preparation of the separate financial position situation, meaning that the non-monetary elements are restated using a general price index from the date of acquisition or contribution.

IAS 29 suggests that economies should be regarded as hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years exceeds 100% during a period of three years.

The continuously decreasing inflation rates and other factors related to the characteristics of the economic environment in Romania indicate that the economy using the operational currency adopted by the Bank ceased to be hyperinflationary with effects over financial periods starting from 1 January 2004. Therefore, the provisions of IAS 29 have no longer been adopted in preparing these financial statements.

Accordingly, the amounts expressed in measuring unit current at 31 December 2003 are treated as the basis for the carrying amounts reported in these separate financial statements and do not represent appraised value, replacement cost, or any other measure of the current value of assets or the prices at which transactions would take place currently.

c) Interest income and expenses

Interest income and expenses related to financial investments are recognized in the income statement at amortized cost using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and the interest income or interest expense over the relevant period. The effective interest rate is the exact rate that discounts estimated future cash payments or receipts over the life period of the financial instrument or, where appropriate a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayments, call options and other similar options) but does not consider future credit losses. The calculation method includes all fees and commissions paid or received between contractual parties that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fair value changes of derivative instruments held for risk management and other financial assets and liabilities held at fair value are presented in the net income from other financial instruments held at fair value through profit or loss.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, the interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss applied at the net carrying value of the asset. The amount resulted from this effect is RON 137,632 thousand for the year 2012 (2011: RON 71,188 thousand) consisting in a decrease in the interest income and a decrease in the provision expense.

d) Fees and commissions

The commissions for the financial services provided by the Bank include upfront fees, commitment fees, card fees, cash management services, brokerage services, investment advice and financial planning, investment banking services and asset management services.

The commissions directly attributable to the financial asset or liability at origination time (both income and expense) are included in the calculation of the effective interest rate. Loan commitment fees together with the related direct costs are recognized as an adjustment to the effective interest rate of the loan.

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d) Fees and commissions (continued)

Other fee and commission income arising from the financial services provided by the Bank including investment management services, brokerage services, and account services fees are recognized as the related service is provided in the income statement. Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

e) Net trading income

The net trading income represent the difference between the gain and loss related to the trading assets and liabilities and includes all fair value changes realized and unrealized and net foreign exchange differences.

f) Dividends

The income from dividends is recognized in the income when the right to receive income is established. Income from equity investments and other non-fixed income investments is recognized as dividend income when committed. Dividends are reflected as a component of other operating income.

Dividends are treated as profit distribution in the period when they are declared and approved by the General Meeting of Shareholders.

g) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. Operating lease expense is recognized as a component of the operating expenses.

h) Tax on profit

The tax on profit comprises the current and the deferred tax. The tax on profit is recognized in the income statement or directly in equity, if it relates to equity elements.

Current tax is the tax payable on the taxable income for the year, determined on the basis of applied percents outstanding at the balance sheet date and any adjustment to tax payable in respect of prior periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of the goodwill, the initial recognition of the assets and liabilities that come from transactions other than business mergers and which have no impact on the accounting profit nor on the fiscal one and differences related to investments in subsidiaries, as long as they are not considered to be reversed in the near future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the separate statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits are likely to be obtained after compensation with fiscal losses in the previous years and the tax on profit to be recovered. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit to be realized.

2. Significant accounting policies (*continued*)

h) Tax on profit (*continued*)

The tax rate used to calculate the current and deferred tax position on 31 December 2012 is 16% (31December 2011: 16%).

The tax rate used for the Cyprus branch, a country with which there is a treaty to avoid the double taxation is 10%.

i) Financial assets and liabilities

(i) Classifications

The Bank classifies its financial assets and liabilities in the following categories:

Financial assets or financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial instrument is classified in this category if acquired principally for the purpose of short term profit-taking or if so designated by management. Derivatives are also categorized as held for trading unless the derivative is a designated and effective hedging instrument. The financial instruments at fair value through profit or loss comprise listed equity securities and derivatives instruments.

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than those that the Bank intends to sell immediately or in the near term, those that the Bank, upon initial recognition, designates as at fair value through profit and loss, those that the Bank, upon initial recognition, designates as available for sale or those for which the holder may not recover substantially all of its initial investment, on reasons others than credit deterioration. Loans and advances comprise loans and advances to banks and customers.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity.

Available-for-sale financial assets are those financial assets that are designated as available for sale or are not classified as loans and advances, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale instruments include treasury bonds and other bonds eligible for discounting with central banks, investments in unit funds, equity investments and other investment securities that are not at fair value through profit and loss or held-to-maturity.

(ii) Recognition

Financial assets and financial liabilities are initially recognized at fair value plus, in case of financial assets and financial liabilities not carried at fair value through profit or loss, directly attributable transaction costs.

The Bank initially recognizes: loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the financial instrument.

(iii) Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

2. Significant accounting policies (*continued*)

i) Financial assets and liabilities (continued)

(iii) Derecognition (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognized on its balance sheet, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognized separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when and only when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

(v) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, less any reduction for impairment.

(vi) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

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2. Significant accounting policies *(continued)*

i) Financial assets and liabilities *(continued)*

(vi) Fair value measurement (continued)

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instruments. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the date of separate statement of financial position. Where a fair value cannot be reliably be estimated, equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

(vii) Identification and measurement of impairment

At the date of each separate statement of financial position, the Bank analyses whether an objective evidence exists, according to which the financial assets which are not held at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired and losses from impairment appear if and only if objective evidence exists related to their impairment as a result of one or more events that appeared after the initial recognition of the asset ("loss generating event"), and the loss-generating event or events have an impact upon the future cash flows of the financial asset or group of financial assets which can be estimated reliably.

It is probable that the identification of a single event responsible for the impairment is difficult. Impairment may have been caused by the combined effect of multiple events. The losses expected as a result of the future events, regardless of their probability, are not recognized.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the variable interest rate at current rate, specified in the contract. The asset's accounting value can be decreased directly or by using an impairment account. The expense with the impairment loss is recognized in the income statement.

2. Significant accounting policies *(continued)*

i) Financial assets and liabilities *(continued)*

vii) Identification and measurement of impairment (continued)

If during a future period, an event that took place after the date of the impairment recognition generates decrease in the impairment expense, the formerly recognized impairment loss is reversed either directly or through the adjustment of an impairment account. The impairment decrease is recognized through income statement.

Loans and advances to customers

The Bank, based on its internal impairment assessment methodology, included observable data on the following loss events that comes to its attention as objective evidence that loans and advances to customers or Banks of assets are impaired:

(a) significant financial difficulty of the borrower determined in accordance with the Bank's internal rating system;

(b) a breach of contract, such as a default or delinquency in interest or principal payments of the borrowers (individually and in the same Bank of borrowers);

(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider such as the rescheduling of the interest or principal payments;

(d) is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(e) credible information indicating a measurable decrease in the estimated future cash flows of a Bank of financial assets from the date of the initial recognition, regardless of the fact that the decrease cannot be identified for each asset, including:

i) unfavorable change in the payment behavior of the Bank's debtors, or

ii) national or local economic circumstances that can be correlated to the loss / depreciation of the Bank's assets.

The Bank first assesses whether objective evidence of impairment exists as described above, individually for loans to customers that are individually significant and individually or collectively for loans to customers that are not individually significant.

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the loans to customers into a group with similar credit risk characteristics and collectively assesses them for impairment. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the loans to customers into a group with similar credit risk characteristics and collectively assesses them for impairment. The calculation of the present value of the estimated future cash flows of a collateralized loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, loans and advances to customers are classified on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, grouping based on separated lines of business, type of loan, currency, maturity, debt service and so on). Management considers that these characteristics chosen are the best estimate of similar credit risk characteristics relevant to the estimation of future cash flows for such loans as being indicative of the debtors' ability to pay all amounts due according to the contractual terms.

Notes to the separate financial statements

2. Significant accounting policies *(continued)*

i) Financial assets and liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Loans and advances to customers (continued)

Future cash flows in a Bank of loans and advances to customers that are collectively evaluated for impairment are estimated on the basis of historical loss experience for loans with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The Bank regularly reviews the methodology and assumptions used to estimate future cash flows to reduce differences between estimated and actual losses.

Available for sale financial assets

For financial assets classified as available-for-sale, when a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity shall be released directly from equity and recognized in profit or loss even though the financial asset has not been derecognized.

The amount of the cumulative loss that is released from equity and recognized in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in income statement.

Impairment losses recognized in income statement for an investment in an equity instrument classified as available for sale shall not be released through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in the income statement.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed through income statement.

2. Significant accounting policies *(continued)*

i) Financial assets and liabilities (continued)

(viii) Designation at fair value through profit or loss

The Bank has designated financial assets and liabilities at fair value through profit and loss when:

- eliminates or significantly reduces an evaluation or recognition mismatch ("accounting error") which might have arisen from the measurement of the assets and liabilities or from the recognition of their gain or loss based on different principles;
- they are part of a group of financial assets or liabilities managed, evaluated and reported to the management on fair value basis according to the risk management documentation / investment strategy; or
- they are hybrid contracts through which an entity can reflect the entire contract at fair value through in profit and loss.

j) Cash and cash equivalents

Cash and cash equivalents comprise: cash on hand, unrestricted balances held at National Bank of Romania and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value.

Cash and cash equivalents are carried at amortized cost in the separate statement of financial position.

k) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the separate statement of the financial position and the transaction costs are taken directly to comprehensive income. All changes in fair value are recognized as part of net trading income in comprehensive income. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

l) Derivatives

(i) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the separate statement of the financial position.

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in statement of comprehensive income as a component of net trading income.

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

2. Significant accounting policies (continued)

l) Derivatives *(continued)*

(ii) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Bank accounts for embedded derivatives separately from the host contract when the host contract is not itself carried through profit and loss, and the characteristics of the embedded derivatives are not clearly and closely related to the host contract. Separate embedded derivatives are accounted for depending on their classification, and are presented in separate statement of the financial position together with the host contract.

m) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method as described in the accounting policy 2(c) above, except when the Bank chooses to carry the loans and advances at fair value through profit or loss as described in accounting policy 2(i) (viii) above.

Loans and advances are stated at net value after the deducting of the provision for impairment. The provision for loans is recorded according to the loans and advances identified as impaired based on continual assessment, to bring these assets to their recoverable amount.

n) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit and loss, available for sale or loans and receivables.

(i) Held to maturity

Held-to-maturity investments are carried at amortized cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

(ii) Fair value through profit and loss

The Bank carries some investment securities at fair value, with fair value changes recognized immediately in profit or loss as described in accounting policy note 2(k).

(iii) Available for sale

Securities such as Treasury bills issued by the Romanian Government are classified as available for sale.

The Bank considered that the effective transaction prices would be between the informative BID-ASK quotations obtained, which are rather an interval within which the Bank could have realistically negotiated the quotations for each series and taking into account the volume of its portfolio, and thus, the Bank used in its estimation an average price for each series.

Other securities such as investments in unit funds are classified as available-for-sale assets and are carried at their market prices.

2. Metode si politici contabile semnificative *(continuare)*

n) Investment securities (continued)

(iii) Available for sale (continued)

Other equity investments in listed or unlisted companies are classified as available-for-sale assets and are carried at the fair value. Where no reliable estimate of fair value is available, equity investments are stated at restated cost less impairment.

Interest income is recognized in profit and loss using effective interest method. Dividend income is recognized in profit and loss when the Bank becomes entitled to dividends. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit and loss.

Other fair value changes are recognized directly in equity until the investment is sold or impaired and the balance in equity is recognized in profit or loss.

(iv) Loans and receivables

Investments in securities such as corporate bonds are classified as loans and advances and are held at amortized cost using effective interest rate method.

o) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at their cost or revalued amount less accumulated depreciation value and impairment losses. Capital expenditure on property and equipment in the course of construction is capitalized and depreciated once the assets enter into use.

(ii) Subsequent costs

The Bank recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Bank and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not subject to depreciation.

2. Significant accounting policies *(continued)*

o) Property and equipment

(iii) Depreciation

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Leasehold improvements (average)	7 years
Computers	4 years
Furniture and equipments	3 – 24 years
Vehicles	4 – 5 years

The leasehold improvements are depreciated over the rental contract period, which varies between 1 and 52 years. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

p) Intangible assets

Intangible are recognized at initial cost.

Software

Costs associated with developing or maintaining software programs are recognized as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software is three years.

r) Impairment of non-financial assets

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset generating cash flows that largely are independent from other assets and groups. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss in other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

s) Deposits from customers

Deposits from customers are initially measured at fair value plus transaction costs, and subsequently measured at amortized cost using the effective interest method.

2. Significant accounting policies (continued)

t) Debt securities issued and loans from banks and other financial institutions

Borrowings such as loans from banks and other financial institutions and debt securities issued are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs occurred. Debt securities and loans from banks and other financial institutions are subsequently stated at amortized cost.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

u) Provisions

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

v) Financial guarantees

Financial guarantees are contracts that require Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guarantee has become probable).

x) Employee benefits

(i) Short term benefits

Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are recognized as expense when services are rendered.

(ii) Defined contribution plans

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

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

(iii) Other benefits

Based on the decision of the shareholders, the Board of Directors of the Bank decides in respect of the number of shares included in the employee fidelity plan. The grant-date fair value of share-based payment awards - stock options – granted to employees is recognized as personnel expenses, with a corresponding increase in equity, over the period in which actual reward of the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the value of awards for which the related service and non-market related performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market related performance conditions at the vesting date.

2. Significant accounting policies (continued)

y) Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format for segment reporting is based on business segments.

aa) Own shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

ab) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended at 31 December 2012, and have not been applied in preparing these separate financial statements:

- IFRS 11, "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively subject to transitional provisions. Earlier application is permitted if IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early). IFRS 11, "Joint Arrangements", supersedes and replaces IAS 31, "Interest in Joint Ventures". IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10. Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows: a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement an a joint venture is one whereby the jointly controlling parties, known as joint ventures, have rights to the net assets of the arrangement. IFRS 11 effectively carves out from IAS 31 jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of equity accounting or proportionate consolidation; they must now always use the equity method in its consolidated financial statements. The Bank does not expect IFRS 11 to have material impact on the separate financial statements since it is not a party to any joint arrangements.
- IFRS 12, "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively; earlier application is permitted). IFRS 12 requires additional disclosures relating to significant judgments and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities. The Bank does not expect the new standard will have a material impact on the separate financial statements.
- Amendments to IAS 1, "Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012; to be applied retrospectively; earlier application is permitted). The amendments: a) require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections; b) change the title of the Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income, however, other titles are also allowed to be used. The impact of the initial application of the amendments will depend on the specific items of other comprehensive income at the date of initial application.

2. Significant accounting policies (continued)

ab) New standards and interpretations not yet adopted (continued)

- IFRS 13, “Fair Value Measurement” (effective prospectively for annual periods beginning on or after 1 January 2013); earlier application are permitted. IFRS 13 replaces the fair value measurement guidance contained in separate IFRSs with a single source of fair value measurement guidance .The standard does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The Bank currently analysis the possible implications of the IFRS 13 on the separate financial statements.

- Amendments to IAS 12, “Deferred Tax: Recovery of Underlying Assets” (effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Earlier application is permitted). The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management’s intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset’s economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted. The amendments are not relevant to the Bank’s separate financial statements, since the Bank does not have any investment properties measured using the fair value model in IAS 40.

- IAS 19, “Employee Benefits” (effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively; transitional provisions apply; earlier application is permitted). The amendment requires actuarial gains and losses to be recognized immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognizing actuarial gains and losses, and eliminates the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognized in profit or loss to be calculated based on rate used to discount the defined benefit obligation. The amendments are not relevant to the Bank’s separate financial statements,

- IAS 28, “Investments in Associates and Joint Ventures” (amendments effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively; earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 27 are also applied early.) There are limited amendments made to IAS 28: a) associates and joint ventures held for sale. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture; Previously, IAS 28 and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 now requires that in such scenarios the retained interest in the investment is not remeasured. The Bank does not expect the amendments to standard to have material impact on the separate financial statements since it does not have any investments in associates or joint ventures that will be impacted by the amendments.

- Amendments to IAS 32, “Offsetting Financial Assets and Financial Liabilities” (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively; earlier application is permitted, however the additional disclosures required by amendments to IFRS 7, “Disclosures - Offsetting Financial Assets and Financial Liabilities” must also be made). The amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is: not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Bank does not expect the amendments to have any impact on the separate financial statements since it has not entered into master netting arrangements.

2. Significant accounting policies (continued)

ab) New standards and interpretations not yet adopted (continued)

- IFRS 9 Financial Instruments – Effective for annual periods beginning on or after 1 January 2015; to be applied prospectively; earlier application is permitted. This Standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost or financial assets measured at fair value. A financial asset is measured at amortized cost if the following two conditions are met: the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Gains and losses on re-measurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date. However, the Bank is not able to prepare an analysis of the impact this will have on the separate financial statements until the date of initial application. The Bank has not yet decided on the date that it will initially apply the new Standard. This standard had not yet been adopted by the European Union.

- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (Effective for annual periods beginning on or after 1 January 2014)

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:

- it is exposed or has rights to variable returns from its involvements with the investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

The Bank is currently in the process of evaluating the potential effect of IFRS 10 on the separate financial statements.

- IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been incorporated into IFRS 10, Consolidated Financial Statements. The Bank is currently in the process of evaluating the potential effect of IAS 27 (2011) on the separate financial statements.

TRANSLATOR’S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

3. Financial risk management

a) Introduction

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Taxation risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk. The most important types of financial risk to which the Bank is exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and equity price risk.

Risk management is part of all decisional processes and all business processes that take place in the Bank`s activity.

The Board has the general responsibility the setting and oversight of the General Framework of Risk Management in the Bank. The Board has designated the Executive Management Committee, the Technical Committee for Banking Risk Management, the Technical Committee for the Management of Assets and Liabilities, the Technical Committee for Operational Risk, the Technical Committee for Audit, Complying and Internal Control, the Technical Committee for Internal Regulation Analysis, the Technical Committee for Loan policy and aprovals, the Committees for loans and risk in the Bank, the Loan and Risk Committee in Branches, whom are responsible for the stateing and oversight of risk management policies in their field of expertise. The Board reviews on timely bases the activity of these Committees.

3. Financial risk management

a) Introduction *(continued)*

Risk management framework

The Board of Directors monitors the compliance with Bank risk policies and the improvement of the general risk management frame in connection with risks at which the Bank is exposed to.

The Bank's strategy regarding significant risk management focuses over the realization of the budgeted ratios in a controlled risk environment which ensures both the sound continuity of the business and the protection of the shareholders and clients' interest. Banca Transilvania S.A. adopts a risk profile consistent with its risk profile, strategies and policies regarding significant risks management, correlated with the general strategy of the Bank, its capital and experience in risk management.

Risk management policies and systems are reviewed regularly (mainly annually) with the participation of the Executive Management Committee, Risk Management Technical Committee and persons responsible from different Departments involved in order to reflect the changes in the market conditions, products and services provided.

The process of crisis simulation is an integral part of risk management process.

The Bank's Audit Committee reports to Board of Directors and is responsible for monitoring compliance with the Bank's risk management procedures. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

b) Credit Risk

(i) Credit Risk Management

The Bank is exposed to credit risk through its trading, lending, leasing and investing activities and in cases where it issues guarantees. Credit risk associated with trading and investing activities is managed through the Bank's market risk management process. The risk is mitigated through selecting counterparties of good credit standings and monitoring their activities and ratings and through the use of exposure limits and when appropriate, obtains collateral.

The Bank's primary exposure to credit risk arises through its loans and advances to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the separate financial statements position. The Bank is exposed to credit risk on various other financial assets, including derivative instruments and debt investments, the current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the separate statement of financial position. In addition, the Bank is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued (see Note 33).

3. Financial risk management

b) Credit Risk (continued)

(i) Credit Risk Management (continued)

In order to minimize the risk, the Bank has certain procedures meant to assess the clients before granting the loans, to observe their capacity of reimbursing the principal and related interests during the entire period of the loans and to establish exposure limits. In addition, the Bank has procedures for monitoring the risk in the loan portfolio and has established exposure limits on the types of loans, the economic sectors, the types of collateral, the maturity of loans and so on.

The Board of Directors delegated the responsibility for credit risk management to the Executive Management Committee, Banking Risk Management Technical Committee ("BRMTC"), Technical Committee of Politics and Credit Approval), Credit and Risk Committees from the Bank's headquarters (credit approval), Credit and Risk Committee from the branches/agencies at local level. Furthermore, the Bank has a Risk Management Direction, which reports to the headquarters' committees previously presented and has attributions regarding:

- Identification and assessment of specific risks within the loan activity;
- Following the internal regulations specific for the loan activity;
- Elaborating proposals for reducing specific risks, in order to maintain healthy standards for the loan activity;
- Monitoring the granted loans, in accordance with the client's financial performance, the type of the credit, the nature of the collateral and debt service, according to the internal norms of the loan activity;
- Approval and valorification of the indicator computation in respect of granting / modifying the branches' competencies of granting loans, according to specific internal policies;
- Periodic review and recommendation of the risk levels accepted by Banca Transilvania to the Technical Committee of Banking Risk Management;
- Identifying, monitoring and controlling the credit risk at branch level;
- Insuring the compliance with the internal regulations, the BNR norms and the active legislation for the loan activity carried out by the local units;
- Elaboration of proposal for reducing specific risks, in order to maintain certain loan granting standards at each branch level;
- Risk analysis for new credit products/changes of credit products, including recommendations to the involved directions;
- Approval of the computation for the exposure limits per counterparties;
- Periodically presents reports to the Board of Directors and BRMTC regarding the evolution of the significant risks (the implications of risk correlation, forecasts etc);
- Analysis of loan portfolio both individually and as group of financial assets with similar characteristics to determine if there is any objective evidence of impairment, and assessment of impairment losses and related provision in accordance with IFRS.

Each Branch/Agency implements at local level the Bank policies and regulations regarding the credit risk, having loan approval competencies established by the Executive Management Committee. Each Branch is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

3. Financial risk management

b) Credit Risk (continued)

(i) Credit Risk Management (continued)

The Internal Audit Department and the Risk Inspection Department inside the Risk Management Direction carries out periodical verifications of the branches and agencies.

The Bank classified the exposures according to the risk level of the potential financial losses. The risk classification system is used for assessing the risk monitoring activities and the relations with the customers. The scoring system reflects different levels of the non-payment risk and is reviewed periodically.

Credit risk exposure

Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Bank's loans and advances, commitments to extend credit and guarantees issued.

Total on and off balance sheet economic sector risk concentrations are presented in the table below:

	31 December 2012	**31 December 2011**
Individuals	32.60%	33.80%
Trading	16.44%	17.45%
Production	15.18%	14.62%
Constructions	7.48%	7.67%
Services	5.00%	4.77%
Transport	4.20%	4.28%
Real estate	2.56%	2.71%
Agriculture	4.50%	3.47%
Authorized individuals	1.79%	1.79%
Energy industry	2.46%	1.84%
Financial institutions	1.79%	1.67%
Chemical industry	1.71%	1.88%
Telecommunication	0.68%	0.63%
Mining industry	0.99%	1.02%
Governmental bodies	0.15%	0.15%
Fishing industry	0.06%	0.03%
Others	2.41%	2.22%
	100.00%	**100.00%**

At 31 December 2012, the amount of balance sheet and off-balance sheet total exposure was RON 21,786,278 thousands (31 December 2011 - RON 19,452,761 thousands).
The amounts reflected in the previous paragraph reflect the maximum accounting loss that would be recognized at reporting date if the customers failed completely to perform as contracted and any collateral or security proved to be of no value.

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

Notes to the separate financial statements

3. Financial risk management *(continued)*

b) Credit risk management *(continued)*

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

The Bank uses ratings associated with financial performance for the individually tested loans as well as for the collectively assessed ones, According to Bank policies, each credit risk grade can be associated with a certain rating, starting with the lowest risk rating (1) to the higher risk rating (6). The risk rating classification of the loans and advances to customers is determined based on the Bank's customers payment behaviour and potential losses indicators identified in the individual analysis, risk rating (6) being associated with the overdue loand more than 90 days and the exposures for which the legal procedures of debt recovery were initiated.

The exposures to credit risk for the loans and advances to customers as of 31 December 2012 and 31 December 2011 are presented below:

In RON thousand	Note	**Loans and advances granted to customers**
	Note	**31 December 2012**
Individually impaired loans		
Grade 3 – individually impaired		712,967
Grade 4 – individually impaired		208,075
Grade 5 – individually impaired		134,589
Grade 6 – individually impaired		2,120,563
Gross amount		3,176,194
Allowance for impairment		(1,935,753)
Net carrying amount		**1,240,441**
Neither past due nor impaired		
Grade 1-2		10,370,204
Grade 3		555,806
Grade 4		143,061
Gross amount		11,069,071
Allowance for impairment		(28,141)
Net carrying amount		**11,040,930**
Total net carrying amount		**15,457,481**

In RON thousands		**Loans and advances granted to customers**
	Note	**31 December 2012**
Past due but not individually impaired		
Grade 1-2		2,029,002
Grade 3		1,080,540
Grade 4		114,711
Grade 5		98,967
Gross amount		3,323,220
Allowance for impairment		(147,110)
Net carrying amount		**3,176,110**
Past due		
1-15 days		2,580,501
15-30 days		143,136
30-60 days		281,493
60-90 days		224,172
90-120 days		63,622
120+days		**30.296**
Total		**3,323,220**

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

3. Finacial risk management *(continued)*

b) Credit risk management *(continued)*

In thousand RON	Note	**Loans and advances granted to customers 31 December 2011**
Individually impaired and past due		
Grade 3 – individually impaired		888,690
Grade 4 – individually impaired		193,687
Grade 5 – individually impaired		43,219
Grade 6 – individually impaired		1,545,243
Gross amount		2,670,839
Allowance for impairment		(1,479,450)
Net carrying amount		**1,191,389**
Neither past due nor impaired		
Grade 1-2		9,510,286
Grade 3		598,641
Grade 4		118,269
Gross amount		10,227,196
Allowance for impairment		(44,510)
Net carrying amount		**10,182,686**
Total net carrying amount		**14,035,290**

In thousand RON	Note	**Loans and advances granted to customers 31 December 2011**
Past due but not individually impaired		
Grade 1-2		1,574,241
Grade 3		1,116,078
Grade 4		69,268
Grade 5		37,020
Gross amount		2,796,607
Allowance for impairment		(135,392)
Net carrying amount		**2,661,215**
Past due but not impaired		
1-15 days		1,884,541
15-30 days		145,336
30-60 days		388,384
60-90 days		334,078
90-120 days		27,976
120+ days		16,292
Gross amount		**2,796,607**

In addition, the Bank had entered into lending commitments as of 31 December 2012 amounting to RON 4,219,757 thousand (31 December 2011: RON 3,758,119 thousand), mainly with counterparties graded 1-3.

Placements with banks and investments securities are neither past due nor impaired.

Past due and individually impaired loans

Impaired loans and securities are loans and securities for which the Bank considers that it might encounter difficulties in collecting the principal and interest due according to the contractual terms of the loan / securities agreement.

Past due but not individually impaired loans

Loans and securities where contractual interest or principal payments are past due but the Bank believes that an individual impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

TRANSLATOR’S EXPLANATORY NOTE: The above is provided as a free translation from Romanian which is the official and binding version.

3. Finacial risk management *(continued)*

b) Credit risk management *(continued)*

Allowances for impairment

The Bank sets an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are an individual loan loss component that relates to individually significant exposures, and a collective loan loss allowance established for a group of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when Bank's Credit Committee determines that the loans / securities are uncollectible. This conclusion is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write off decisions generally are based on a product specific past due status. The value of the write-offs in the year 2012 is RON 63,404 thousand (31 December 2011: RON 11,441 thousand)

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over land and buildings, property, inventory, insurance policies and other guarantees. The Bank has the ownership right over these guarantees until the end of the contract. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and periodical updates on collaterals.

An estimate of the value of collateral and other security enhancements held against financial assets is shown below:

In thousand RON	**31 December 2012**	**31 December 2011**
Against past due and individually impaired		
Property	1,888,145	1,704,588
Pledges	323,170	358,258
Other	680	58,905
	2,211,995	**2,121,751**
Against past due but not individually impaired		
Property	2,952,004	2,603,650
Pledges	440,665	309,397
Other	95,621	178,752
	3,488,290	**3,091,799**
Against neither past due nor impaired		
Property	10,423,197	9,610,772
Debt securities	1,920,418	1,618,578
Other	194,895	545,480
	12,538,510	**11,774,830**
Total	**18,238,795**	**16,988,380**

3. Financial risk management *(continued)*

b) Credit risk management *(continued)*

As of 31 December 2012, the Bank has outstanding restructured loans and receivables, net of allowance for impairment losses amounting to RON 348,730 thousand (31 December 2011: RON 273,174 thousand).

Exposures to higher risk Eurozone countries

Significant concerns about the creditworthiness of certain Eurozone countries persisted during 2012 leading to speculation as to the long-term sustainability of the Eurozone. The deepening recession in a number of countries, the wider political and economic consequences of fiscal austerity programs and other government actions, and concerns about the viability of some countries' financial institutions have led to increased volatility of spreads on sovereign bonds that have peaked at times during the past year at worrying levels. Most recently, certain actions undertaken by the European Central Bank and European Commission have led to positive results in terms of improving market confidence. However, the situation remains fragile.

The Bank has a reduced exposure towards Cyprus, as at 31 December 2012 the loans and advances to customers being in a total amount of RON 4,133 thousand - 0.02% from the total portfolio of the Bank (provision made in amount of RON 23 thousands), as at 31 December 2011 of RON 4,735 thousand – 0.03% from the total portfolio (provision made in amount of RON 6 thousand) and customers' deposits amounting to RON 21,483 thousand (31 December 2011: RON 16,448 thousand), the reason for which the Bank considers the risk regarding the exposure as low.

c) Liquidity risk

Liquidity risk is generated by the Bank's inability to meet its payment obligations outstanding at their due date. Liquidity risk has 2 components: the difficulties in procuring funds on the relative maturity date, necessary to refinance current assets or the inability to convert an asset into cash at a value near its fair value, in a reasonable period of time. The Bank is concerned to counteract this type of risk.

The Bank has access to diverse funding base. Funds are raised using a broad range of instruments including bank deposits from customers or partners, loans from development institutions and financial institutions and share capital. Access to diverse funding sources improves flexibility to attract funds, limiting dependence on one type of financing and on one type of partner and lead to an overall decrease of costs of fundraising. The Bank tries to maintain a balance between continuity and flexibility of attracting funds, through contracting debts with different maturities and different currencies. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding, and diversifying the funding sources.

Technical Committee for the Management of Assets and Liabilities (CTALCO) is responsible for the periodical review of the liquidity indicators and for the establishment of corrective actions on the balance structures in order to eliminate unacceptable deviations in terms of liquidity risk management.

The Bank performs monthly crisis simulations for liquidity risk.

The financial assets and liabilities of the Bank analyzed over the remaining period from the balance sheet date to contractual maturity are as at 31 December 2012 and 31 December 2011 as follows:

Notes to the separate financial statements

3. Financial risk management *(continued)*

c) Liquidity risk *(continued)*

In RON thousand	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 – 5 years**	**Over 5 years**	**Without maturity**	**Total**
31 December 2012								
Financial assets								
Cash and cash equivalents	5,576,290		-	-	-	-	-	**5,576,290**
Placements with banks	1,308,910	-	-	54,211	9,999	9,994	-	**1,383,114**
Financial assets at fair value through profit and loss	19,589	-	-	-	-	-	19,590	**39,179**
Loans and advances to customers	2,503,879	2,115,409	2,921,469	2,607,284	1,584,988	3,724,452	-	**15,457,481**
Investment securities available for sale	5,891,919	10	46,707	249,371	206,663	71,988	63,043	**6,529,701**
Equity investments	-	-	-	-	-	-	74,053	**74,053**
Other assets	132,787	3,436	4,018	1,586	303	-	-	**142,130**
Total financial assets	**15,433,374**	**2,118,855**	**2,972,194**	**2,912,452**	**1,801,953**	**3,806,434**	**156,686**	**29,201,948**
Financial liabilities								
Deposits from banks	45,651	302	-	-	-	-	-	**45,953**
Deposits from customers	15,914,013	3,451,079	1,502,465	890,019	1,383,904	91,442	-	**23,232,922**
Loans from banks and other financial institutions, other subordinated loans and debt securities issued	1,766,916	88,203	389,521	871,434	110,439	31,599	-	**3,258,112**
Other liabilities	303,928	3,084	3,541	1,056	119	164	-	**311,892**
Total financial liabilities	**18,030,508**	**3,542,668**	**1,895,527**	**1,762,509**	**1,494,462**	**123,205**	**-**	**26,848,879**
Maturity surplus / (shortfall)	**(2,597,134)**	**(1,423,813)**	**1,076,667**	**1,149,943**	**307,491**	**3,683,229**	**156,686**	**2,353,069**

Notes to the separate financial statements

3. Financial risk management *(continued)*

c) Liquidity risk *(continued)*

In RON thousands	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 – 5 years**	**Over 5 years**	**Without maturity**	**Total**
31 December 2011								
Financial assets								
Cash and cash equivalents	4,546,532	-	-	-	-	-	-	**4,546,532**
Placements with banks	621,201	98,819	169	14,988	24,258	9,992	-	**769,427**
Financial assets at fair value through profit and loss	69,011	-	-	-	-	-	50,510	**119,521**
Loans and advances to customers	2,303,238	1,717,391	2,519,771	2,274,242	1,420,629	3,800,019	-	**14,035,290**
Investment securities available for sale	5,377,351	20,503	86,526	207,730	86,216	26,305	8,588	**5,813,219**
Held-to-maturity investments	39	780	-	-	-	-	-	**819**
Equity investments	-	-	-	-	-	-	69,978	**69,978**
Other assets	92,823	3,063	3,413	626	425	14	-	**100,364**
Total financial assets	**13,010,195**	**1,840,556**	**2,609,879**	**2,497,586**	**1,531,528**	**3,836,330**	**129,076**	**25,455,150**
Financial Liabilities								
Deposits from banks	251,181	-	-	-	-	-	-	**251,181**
Deposits from customers	14,516,584	2,792,203	675,617	1,174,072	1,050,192	71,562	-	**20,280,230**
Loans from banks and other financial institutions, other subordinated loans and debt securities issued	1,446,810	56,176	129,220	696,472	374,458	26,000	-	**2,729,136**
Other liabilities	207,885	12,188	14,068	1,793	1,272	289	-	**237,495**
Total financial liabilities	**16,422,460**	**2,860,567**	**818,905**	**1,872,337**	**1,425,922**	**97,851**	**-**	**23,498,042**
Maturity surplus / (shortfall)	**(3,412,265)**	**(1,020,011)**	**1,790,974**	**625,249**	**105,606**	**3,738,479**	**129,076**	**1,957,108**

3. Financial risk management *(continued)*

d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/ issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Exposure to market risk – trading portfolio

The Bank controls its exposure to market risk by daily monitoring the market value of the trading portfolio relating to a system of limits of "stop loss" type approved by the Assets and Liabilities Committee. The trading portfolio comprises: fixed-income securities issued in Romania or on the European markets (government bonds, bonds whose issuer is rated not less than the sovereign rating) denominated in RON, EUR or USD and shares issued by Romanian entities traded on the Bucharest Stock Exchange (that are not directly exposed to interest and foreign exchange risk, being exposed to price risk).

Exposure to interest rate risk –non-trading portfolio

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates or related indices.

The main sources for interest risk are the imperfect correlations between the maturity date (for fixed interest rates) or the date of price actualization (for variable interest rate) for assets and liabilities that carry interest, the adverse evolution of the yield curve (the unparallel evolution of interest yield for interest bearing assets and liabilities), the imperfect correlation in the adjustment of interest gained and paid for different financial instruments with repricing characteristics that are similar and the options incorporated in the Bank's products.

The management of interest bearing assets and liabilities is performed similar in the context of Bank's exposure to the fluctuations of interest rates. Generally, the Bank in more sensitive to instruments denominated in foreign currency due to the fact that the assets registered in the foreign exchange (that carry interest) have a bigger lifespan even though the adjustment of interest is correlated with the liabilities that carry interest, registered in foreign currency.

The Bank is less affected by the interest risk that comes from instruments denominated in local currency, due to the fact that the majority of the assets and liabilities carry variable interest rates or are carrying interest that can be assimilated to variable interest rate.

The Bank uses a mix of instruments that carry interest, fixed and variable, to administrate the non-correlation between the dates on which the active and passive interest are set to the market interest or between the maturity dates of those instruments.

The interest rate risk is managed mainly by monitoring the GAP regarding the interest rate and through a system of limits and indicators approved by time intervals on which the prices are realign. The Technique Committee for Risk Management of Assets and Liabilities in the management authority that monitors the fulfillment of these limits, being assisted in the daily tasks by the Treasury Department.

Managing interest rate risk within the variation limits of the interest rate is supplemented by monitoring the sensitivity of the Bank financial assets and liabilities in different standard scenarios of interest rate. The monthly standard scenarios include the parallel decrease or increase of the interest curve with 100 and 200 basis points. An analysis of the Bank's interest carrying assets and liabilities sensitivity to the increase or decrease in the market interest rates is set out below:

3. Financial risk management *(continued)*

d) Market risk *(continued)*

In RON thousand	Increase +200 bp	Decrease -200 bp	Increase +100 bp	Decrease -100 bp
At 31 December 2012				
Average for the period	(5,314)	5,314	(2,657)	2,657
Minimum for the period	(44,918)	44,918	(22,459)	22,459
Maximum for the period	14,070	(14,070)	7,035	(7,035)
At 31 December 2011				
Average for the period	(4,802)	(4,802)	(2,401)	2,401
Minimum for the period	(30,963)	30,963	(15,482)	15,482
Maximum for the period	5,449	(5,449)	2,724	(2,724)

In the sensitivity analysis regarding interest rate variation the Bank has computed the impact over the interest margin over the future financial year by taking into consideration the interest rate resetting date for assets and liabilities recorded in the separate statement of the financial position as follows: the Bank divided the assets and liabilities bearing fixed interest rate from the ones bearing variable interest rate and for each category the following split was made: less than 1 month, 1 – 3 months, 3 – 6 months, 6 – 12 months, 1 – 2 years, 2 - 3 years, 3 – 4 years, 4 - 5 years, 5 – 7 years, 7 - 10 years, 10 – 15 years, 15 – 20 years and over 20 years; for the assets and liabilities with variable interest rate the future interest cash flows were recomputed by modifying the interest rate by +/- 100 and 200 basis points.

Based on the Bank's sensitivity analysis according to the methodology presented above it can be observed that the impact over the Bank's profit is limited. The highest impact is recorded for the interval 6-12 months, fact that gives the Bank sufficient time to adjust to the financial market conditions. The average for the period included in the table above represents the average monthly impact of the change in interest rates over the Bank's profit (according to the methodology presented above) and the minimum and maximum included represents the annual potential impact of the change in interest rates over the profit for the time interval 6-12 months, and the maximum represent the potential annual impact of the change in interest rates over the profit on the interval less than 1-2 years.

The interest rates related to the local currency and the major foreign currencies as at 31 December 2012 and 2011 were as follows:

Currency	Interest Rate	31 December 2012	31 December 2011
Leu (RON)	Robor 3 months	6.05%	6.05%
Euro (EUR)	Euribor 3 months	0.187%	1.356%
Euro (EUR)	Euribor 6 months	0.320%	1.617%
Dolar SUA (USD)	Libor 6 months	0.40890%	0.8085%

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

Notes to the separate financial statements

3. Financial risk management (continued)

d) Market risk *(continued)*

Interest rate risk (continued)

A summary of the Bank's interest rate gap position on interest bearing instruments as at 31 December 2012 is as follows:

In RON thousands	**Less than 6 months**	**6 – 12 months**	**1-3 years**	**3 – 5 years**	**More than 5 years**	**Non sensitive**	**Total**
Financial assets							
Cash and cash equivalents	5,576,290	-	-	-	-	**-**	**5,576,290**
Placements with banks	1,308,910	-	54,211	9,999	9,994	**-**	**1,383,114**
Financial assets at fair value through profit and loss	39,179	-	-	-	-	**-**	**39,179**
Loans and advances to customers	13,689,541	605,056	400,342	343	792	761,407	**15,457,481**
Investment securities available for sale	5,953,538	46,697	249,330	206,622	71,834	1,680	**6,529,701**
	26,567,458	**651,753**	**703,883**	**216,964**	**82,620**	**763,087**	**28,985,765**
Datorii financiare							
Deposits from banks	45,953	-	-	-	-	-	**45,953**
Deposits from customers	19,358,575	3,809,961	11,907	10,503	41,976	-	**23,232,922**
Loans from banks and other financial institutions, other subordinated loans	2,660,033	-	598,079	-	-	-	**3,258,112**
	22,064,561	**3,809,961**	**609,986**	**10,503**	**41,976**	**-**	**26,536,987**
Net position	**4,502,897**	**(3,158,208)**	**93,897**	**206,461**	**40,644**	**763,087**	**2,448,778**

Notes to the separate financial statements

3. Financial risk management *(continued)*

d) Interest rate risk *(continued)*

A summary of the Bank's interest rate gap position on interest bearing instruments as at 31 December 2011 is as follows:

In RON thousand	**Less than 6 months**	**6 – 12 months**	**1-3 years**	**3 – 5 years**	**More than 5 years**	**Non-sensitive**	**Total**
Financial assets							
Cash and cash equivalents	4,546,532	-	-	-	-	-	**4,546,532**
Placements with banks	720,020	169	14,988	24,258	9,992	-	**769,427**
Financial assets at fair value through profit and loss	119,521	-	-	-	-	-	**119,521**
Loans and advances to customers	12,857,222	478,706	306,980	823	937	390,622	**14,035,290**
Investment securities available for sale	5,405,096	86,513	207,679	86,165	26,087	1,679	**5,813,219**
Held to maturity investments	819	-	-	-	-	-	**819**
	23,649,210	**565,388**	**529,647**	**111,246**	**37,016**	**392,301**	**25,284,808**
Financial liabilities							
Deposits from banks	251,181	-	-	-	-	-	**251,181**
Deposits from customers	17,163,429	2,908,968	139,717	13,068	55,048	-	**20,280,230**
Loans from banks and other financial institutions, other subordinated loans	2,569,267	-	-	159,869	-	-	**2,729,136**
	19,983,877	**2,908,968**	**139,717**	**172,937**	**55,048**	**-**	**23,260,547**
Net position	**3,665,333**	**(2,343,580)**	**389,930**	**(61,691)**	**(18,032)**	**392,301**	**2,024,261**

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3. Financial risk management (continued)

d) Market risk *(continued)*

Currency Risk

The Bank is exposed to currency risk through transactions in foreign currencies against RON. The Bank manages the currency risk based on strict position limits and "stop-loss", monitored in real time. There is also a statement of financial position risk that the net monetary assets and liabilities in foreign currencies will take a different value when translated into RON as a result of currency movements.

The Bank performs monthly crisis simulations for the currency risk.

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2012 are presented below:

In RON thousand	**RON**	**EUR**	**USD**	**Other**	**Total**
Monetary assets					
Cash and cash equivalents	3,412,033	1,952,785	174,317	37,155	**5,576,290**
Placement with banks	96,364	960,874	261,595	64,281	**1,383,114**
Financial assets at fair value through profit and loss	39,179	-	-	-	**39,179**
Loans and advances to customers	10,185,604	4,990,587	281,290	-	**15,457,481**
Investment securities available for sale	4,499,116	1,911,291	119,294	-	**6,529,701**
Held-to-maturity investments	-	-	-	-	**-**
Equity investments	68,718	5,336	-	-	**74,054**
Other assets	125,119	14,619	1,710	682	**142,130**
Total monetary assets	**18,426,133**	**9,835,492**	**838,206**	**102,118**	**29,201,949**
Monetary liabilities					
Deposits from banks	45,253	388	304	8	**45,953**
Deposits from customers	14,017,838	8,317,460	805,020	92,604	**23,232,922**
Loans from banks and other financial institutions, other subordinated loans.	1,700,989	1,535,872	21,251	-	**3,258,112**
Other liabilities	263,669	41,137	5,029	2,057	**311,892**
Total monetary liabilities	**16,027,749**	**9,894,857**	**831,604**	**94,669**	**26,848,879**
Net currency position	**2,398,384**	**(59,365)**	**6,602**	**7,449**	**2,535,070**

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

3. Financial risk management (continued)

d) Market risk (continued)

Currency risk (continued)

The monetary assets and liabilities held in RON and in foreign currencies at 31 December 2011 are presented below:

In RON thousands	**RON**	**EUR**	**USD**	**Altele**	**Total**
Monetary assets					
Cash and cash equivalents	2,718,386	1,657,937	148,762	21,447	**4,546,532**
Placement with banks	405,357	118,697	173,664	71,709	**769,427**
Financial assets at fair value through profit and loss	114,804	4,717	-	-	**119,521**
Loans and advances to customers	8,901,400	4,827,950	305,940	-	**14,035,290**
Financial assets available for sale	4,341,307	1,441,232	30,680	-	**5,813,219**
Held-to-maturity investments	819	-	-	-	**819**
Equity investments	64,642	5,336	-	-	**69,978**
Other assets	91,177	7,377	1,196	614	**100,364**
Total monetary assets	**16,637,892**	**8,063,246**	**660,242**	**93,770**	**25,455,150**
Monetary liabilities					
Deposits from banks	250,621	264	284	12	**251,181**
Deposits from customers	13,000,660	6,556,319	656,434	66,817	**20,280,230**
Loans from banks and other financial institutions and subordinated loans	1,276,023	1,426,398	26,715	-	**2,729,136**
Other liabilities	187,679	39,030	8,417	2,369	**237,495**
Total monetary liabilities	**14,714,983**	**8,022,011**	**691,850**	**69,198**	**23,498,042**
Net currency position	**1,922,909**	**41,235**	**(31,608)**	**24,572**	**1,957,108**

e) *Taxation risk*

The Bank is committed to ensure sustainable performance of tax risk management by building and maintaining an efficient, effective and transparent tax function within the organization. The Bank strictly complies with the legal norms regarding taxes and duties.

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

In this context, careful analysis was performed in identification of differences in accounting treatment, having tax impact, both in terms of current tax and deferred tax. It is expected that also in the future the tax framework will be subject to frequent amendments as a consequence of the state budgetary needs or as a result of the Romania's obligations as an EU Member State. Given the precedents, they may have retroactive application.

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

Notes to separate financial statement

3. Financial risk management (continued)

f) Operating environment *(continued)*

After 3 years of fiscal adjustment, the economic growth is still the main challenge of Romania. The GDP rose by 0.2 % in 2012, registering a downfall from 2.2 % in 2011. The slowing of the economic growth rhythm was generated mainly by a poor year in the agricultural sector correlated with a negative base effect on this sector (2011 being a good year of agriculture). The two factors lead to a negative contribution to the GDP growth, aproximatively 1 percent. Also, the economy was affected by the recesion in the Euro Zone, with a negative effect on exports and industrial production. The construction sector has maintained on growth, but the dynamics has slowed down due to bugetary restrictions and the presuspension of financing obtained from EU Structural Found (which affected the public sector investments in the second half of the year). The services sector had the biggest contributions to the economic growth in 2012, mainly by sub-components of IT and comunications, internal commerce and real estate transactions. The process of adjustments of macroeconomic imbalances continued in 2012.

Even though the current account deficit of Romania decreased to 3.8% of the GDP in 2012 (from 4.5% in 2011), the adjustment of commercial deficit was very slow. The growth of competitiveness based on prices for exports, due to the depreciation of the local currency, turn out to be insufficient in the context of recession in the Euro Zone and base on the context of a decreasing external demand. In the same time, the low elasticity to price of imports regarding food and energy and the increasing of prices lead to a slow adjustment of Romania`s imports.

Bank management estimates for 2013 a high level of impairment provisions on loans, level maintained compared to 2012 with corresponding effects on the Bank's financial statements. Management believes it is taking all the necessary measures to support the sustainability and growth of the Bank’s business in the current circumstances by:

- continuous improvement of risk management framework;
- constant monitoring of relevant indicators for the Bank’s financial stability an strength;
- better control of costs, increase of work efficiency
- maintain the quality of the Bank’s assets; a proper provisioning policy.
- continuing increase of the portfolio of corporate clients by identifying and lending of the mature, healthy businesses which survived to the crisis and defending the existing customers;
- maintaining competitive advantage and increase of loans for the agricultural sector.
- increasing the number of retail customers through the development of banking products and services packages on classes / categories of customers;
- improving customer service concept, based on cross-selling, finding fast solutions.

Notes to the separate financial statements

3. Financial risk management (continued)

g) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other then credit, market and liquidity risk such those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk in order to fulfill its objectives to ensure reasonable performance (efficiency and effectiveness), information (credibility, integrity, continuity) and to mitigate damage resulting from the materialization of this risk category.

In order to reduce the inherent risk of the operational activities of the Bank, a general risk management framework was developed for managing these risks. The Operational Risk Management Direction is responsible for the oversight and the update of this framework, comprising policies, norms and procedures regarding risk management, that are part of the corporate governance.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. These responsibilities are consistent with the general operational risk management standards of the Bank.

The main areas of the operational risk to which particular consideration is given by the Bank are:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for implementing the principle of dual control in the transactions and any other activity associated with a significant level of risk;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- relevant indicators and associates acceptability limits regarding the operational risk;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- a formalized approach over the continuity of the business with a focus on IT infrastructure (public services, hardware, software, human resources) due to its high degree of support during the activity;
- training and professional development for all business line and for all the Bank employees; development of ethical and business standards;
- monitoring transactions in the employees' accounts;
- IT- risk in terms of operational risk;
- calculation of the capital adequacy in terms of operational risk;
- implementing an internal alert mechanism for employees, through which, they can draw attention to legitimate and substantial concerns about the bank's activity;
- risk mitigation, including insurance where applicable.

3. Financial risk management *(continued)*

g) Operational risk (continued)

The Internal Audit Department, the Operational Risk Management and the Executive Management of the Bank monitors compliance with the Bank`s standards through regular inspections. The results of internal audit, operational risk monitoring and control are discussed with management of the audited entities and the summary is submitted to the Technical Committee Compliance Audit and Internal Control and Executive Management of the Bank.

h) Capital management

The Bank's regulatory capital based on the legal requirements in force regarding capital management includes:

- Tier 1 capital, which includes ordinary share capital, share premium eligible reserves after deductions of intangible assets, 50% of shares' value and other investments in financial and credit institutions that exceed 10% of their share capital and 50% of the investments held in insurance companies;
- Tie II capital, which includes reserves from revaluation and subordinated loans after 50% deductions of shares' value and other investments in financial and credit institutions that exceed 10% of their share capital and 50% of the investments held in insurance and reinsurance companies.

At 31 December 2012 the calculation of regulatory capital was based on the NBR Regulation nr.18/2006 including the subsequent amendments

Starting with 2008 the Bank applied the NBR Regulation 13/2006 regarding the computation of the minimal capital requirements and adopted:

- the standard approach regarding credit risk based on Regulation 14/2006;
- the standard approach based on appendix I, II and IV of the NBR Regulation 22/2006 for the computation of the minimal capital requirements for the position risk, foreign exchange risk and merchandise risk;
- the standards approach for the minimal capital requirements regarding operational risk based on NBR Regulation 24/2006.

Notes to the separate financial statements

3. Financial risk management (continued)

h) Capital management (*continued*)

The Bank's regulatory capital as at 31 December 2012 and 31 December 2011 computed based on the NBR Order nr. 26/ 2011 and the legal requirements regarding capital management at 31 December 2012 and 31 December 2011 were as follows:

In RON thousands	**31 December 2012**	**31 December 2011**
Tier I	2,157,156	2,085,946
Tier II	66,595	76,899
Total Bank's capital	**2,223,751**	**2,162,845**
Capital requirement for credit risk, counterparty risk, decrease in receivables and for incomplete transactions	1,097,299	992,811
Capital requirements for foreign exchange position and commodities	160,307	133,270
Capital requirements for operational risk	205,551	200,254
Total capital requirements	**1,463,157**	**1,326,335**

Note: In the computation of Bank's own funds are included the profits of the years ended 31 December 2011 and 31 December 2012. The computation of capital requirements as 31 December 2012, December 2011 was calculated based on the IFRS standards endorsed by the European Union.

4. Use of estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances

The Bank reviews its loan portfolio to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the separate income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified for an individual loan in that portfolio. For example, the observable data might be the un-favorable changes in the customers' payment behavior from within a group or due to economic circumstances, national or local which correlates with default incidents of a debtors' group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience, including assessing the effects of uncertainty on the local financial markets related to valuation of assets and operating environment of debtors. The loan impairment assessment considers the visible effects of current market conditions on the individual/collective assessment of loans and advances to customers' impairment. Hence, the Bank has estimated the impairment loss provision for loans and advances to customers based on the internal methodology and assessed that no further provision for impairment losses is required except as already provided for in the separate financial statements.

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4. Use of estimates and judgments *(continued)*

To the extent that the net present value of estimated cash flows differs by +/-5 percent, the impairment allowance for loans and advances to customers would be estimated RON 34,623 thousand higher or RON 30,200 thousand lower (31 December 2011: RON 32,142 thousand higher or RON 32,142 thousand lower).

Fair value of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The fair value of financial instruments that are not traded in an active market (for example bonds) is determined by using valuation techniques. The management uses its judgment to select the valuation method and make assumptions that are mainly based on market conditions existing at the date of the separate statement of the financial position.

Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates. The Bank's percentage of this type of portfolio instruments is not significant.

4. Use of estimates and judgments (continued)

The carrying amount of financial assets at fair value through profit and loss and of available-for-sale investment securities would be estimated with RON 197,187 thousand lower than the fair value as at 31 December 2012 (with RON 174,302 thousand lower as at 2011), or with RON 414,647 thousand higher than the fair value as at 31 December 2012 (with RON 203,159 thousand higher as at 2011), if interest rates on financial assets available for sale would differ by +/- 2% and prices of financial assets at fair value through profit and loss would differ by +/-10% from management's estimates.

The table below analyzes financial instruments measured at fair value at the end of the reporting period, the hierarchical levels:

In RON thousand	**Note**	**Level 1 - Quoted market prices in active markets**	**Level 2 - Valuation techniques – observable inputs**	**Level 3 - Valuation techniques – unobservable inputs**	**Total**
31 December 2012					
Financial assets at fair value through profit and loss	17	39,179	-	-	39,179
Investments securities, available for sale	19	153,407	6,374,614	1,680	6,529,701
31 December 2011					
Financial assets at fair value through profit and loss	17	119,521	-	-	119,521
Investments securities, available for sale	19	17,273	5,794,266	1,680	5,813,219

Financial assets and liabilities

The Bank considered that the effective transaction prices would be situated between the informative BID-ASK quotations obtained, which are rather an interval within which the Bank could have realistically negotiated the quotations for each series and taking into account the volume of its portfolio, and thus, the bank used in its estimation an average price for each series.

The Bank’s accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as “trading”, the Bank has determined that it meets the description of trading assets and liabilities set out in accounting policy 3(j);
- In classifying financial assets as held-to-maturity, the Bank has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by its accounting policy.

If the Bank fails to keep these investments to maturity other than for the specific circumstances mentioned in IAS 39, it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortized cost. If the entire class of held-to-maturity investments is tainted, the fair value would not be significantly different from the carrying amount.

5. Segment reporting

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

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Bank's segment reporting comprises the following main business segments:

- *Corporate customers.* Within corporate banking the Bank provides corporations with a range of banking products and services, including lending and deposit taking, providing cash management, foreign commercial business, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions.
- *SME.* The Bank developed and put at the disposition of customers personalized products to fit the business needs of the customers.
- *Individuals.* The Bank provides individuals with a range of banking products and services, including lending (consumer loans, vehicles purchase, personal needs, and mortgages), savings and deposit taking business, payment services and securities business.
- *Health Care Division:* the Bank has a wide variety of financial products and services, advisory and support for the establishment of medical offices or for obtaining the statute of individual legally authorized, accounting and economic and fiscal assistance.
- *Treasury:* incorporating of work services for cash.
- *Other.* The Bank incorporates in this category the services offered to the entities in which the Bank has participations.

Bellow are presented financial information's on segments, regarding the separate financial position and the operational result before net expenses with the impairment allowance for loans and advances to customers, for the financial year ended at 31 December 2012, and comparative data with 2011.

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

5. Segment reporting

Operating segments as at 31 December

In thousand RON	**Corporate**		**SME**		**Individuals**		**Health care division**		**Treasury**		**Other**		**Unallocated**		**TOTAL**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Segment assets	7,607,430	6,864,442	1,455,293	1,352,180	5,911,352	5,330,839	796,056	698,360	13,801,913	11,448,690	-	123,335	-	-	29,572,044	25,817,846
Total Assets	**7,607,430**	**6,864,442**	**1,455,293**	**1,352,180**	**5,911,352**	**5,330,839**	**796,056**	**698,360**	**13,801,913**	**11,448,690**	**-**	**123,335**	**-**	**-**	**29,572,044**	**25,817,846**
Segment liabilities	5,217,867	4,656,237	2,604,300	2,502,320	15,688,561	13,296,179	679,920	628,594	2,686,459	2,414,712	-	-	-	-	26,877,107	23,498,042
Total Liabilities	**5,217,867**	**4,656,237**	**2,604,300**	**2,502,320**	**15,688,561**	**13,296,179**	**679,920**	**628,594**	**2,686,459**	**2,414,712**	**-**	**-**	**-**	**-**	**26,877,107**	**23,498,042**
Equity													2,728,501	2,319,804	2,694,937	2,319,804
Total Liabilities and Equity	**5,217,867**	**4,656,237**	**2,604,300**	**2,502,320**	**15,688,561**	**13,296,179**	**679,920**	**628,594**	**2,686,459**	**2,414,712**	**-**	**-**	**2,694,937**	**2,319,804**	**29,577,044**	**25,817,846**

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

Notes to the separate financial statements

5. Segment reporting

In RON thousand	Corporate		SME		Individuals		Health care Division		Treasury		Other		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Net interest income	240,668	251,807	122,813	140,728	350,923	357,326	31,577	32,933	191,888	89,085	-	-	937,869	871,879
Net commission income	140,695	124,499	127,930	115,261	136,669	132,258	19,406	17,257	-	-	-	-	424,700	389,275
Net trading income	24,088	30,833	18,169	23,408	18,057	25,105	692	1,173	53,527	70,062	16,631	(33,493)	131,164	117,088
Other income	-	-	-	-	10,363	4,516	102	(79)	-	-	32,347	19,840	42,812	24,277
Total Income	**405,451**	**407,139**	**268,912**	**279,397**	**516,012**	**519,205**	**51,777**	**51,284**	**245,415**	**159,147**	**48,978**	**(13,653)**	**1,536,545**	**1,402,519**
Salaries and other assimilated expenses	101,853	84,666	59,650	64,190	152,392	132,492	14,919	13,667	65,372	31,463	15,409	42,438	409,595	368,916
Operational expenses	74,023	55,529	53,511	42,109	115,995	86,944	12,851	8,968	32,062	25,266	34,929	27,836	323,371	246,652
Publicity expenses	2,323	3,421	4,297	2,580	5,349	5,296	462	548	720	1,253	985	1,721	14,136	14,819
Depreciation	10,804	11,309	7,818	8,577	16,948	17,696	1,873	1,825	3,870	4,183	5,109	5,671	46,422	49,261
Other expenses	5,227	14,639	3,793	11,096	8,283	23,013	898	2,378	1,835	5,398	2,799	7,305	22,835	63,829
Total Expenses	**194,230**	**169,564**	**129,069**	**128,552**	**298,967**	**265,441**	**31,003**	**27,386**	**103,859**	**67,563**	**59,231**	**84,971**	**816,359**	**743,477**
Operational result before net impairment losses for assets, other contingencies and loan commitments	**211,221**	**237,575**	**139,843**	**150,845**	**217,045**	**253,764**	**20,774**	**23,898**	**141,556**	**91,584**	**(10,253)**	**(98,624)**	**720,186**	**659,042**

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

Notes to the separate financial statements

6. Financial assets and liabilities

Accounting classifications and fair values

In RON thousand	Note	Financial assets at fair value through profit and loss	Held to maturity	Loans and receivables	Available for sale	Other amortized cost	Total carrying amount	Fair value
31 December 2012								
Financial Assets								
Cash and cash equivalents	15	-	-	-	-	5,576,290	5,576,290	5,576,290
Placements with banks	16	-	-	-	-	1,383,114	1,383,114	1,383,114
Financial assets at fair value through profit and loss	17	39,179	-	-	-	-	39,179	39,179
Loans and advances to customers	18	-	-	15,457,481	-	-	15,457,481	15,457,481
Investments securities, available for sale	19	-	-	-	6,529,701	-	6,529,701	6,529,701
Total financial assets		**39,179**	**-**	**15,457,481**	**6,529,701**	**6,959,404**	**28,985,765**	**28,985,765**
Financial Liabilities								
Deposits from banks	25	-	-	-	-	45,953	45,953	45,953
Deposits from customers	26	-	-	-	-	23,232,922	23,232,922	23,238,176
Loans from banks and other financial institutions	27	-	-	-	-	2,969,302	2,969,302	2,969,302
Subordinated liabilities	28	-	-	-	-	288,810	288,810	288,810
Total financial liabilities		**-**	**-**	**-**	**-**	**26,536,987**	**26,536,987**	**26,542,241**

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Notes to the separate financial statements

6. Financial assets and liabilities

Accounting classifications and fair values

In RON thousand	Note	Financial assets at fair value through profit and loss	Held to maturity	Loans and receivables	Available for sale	Other amortized cost	Total carrying amount	Fair value
31 December 2011								
Financial Assets								
Cash and cash equivalents	15	-	-	-	-	4,546,532	4,546,532	4,546,532
Placements with banks	16	-	-	-	-	769,427	769,427	769,427
Financial assets at fair value through profit and loss	17	119,521	-	-	-	-	119,521	119,521
Loans and advances to customers	18	-	-	14,035,290	-	-	14,035,290	14,035,290
Investments securities	19	-	819	-	5,813,219	-	5,814,038	5,814,034
Total financial assets		**119,521**	**819**	**14,035,290**	**5,813,219**	**5,315,959**	**25,284,808**	**25,284,804**
Financial Liabilities								
Deposits from banks	25	-	-	-	-	251,181	251,181	251,181
Deposits from customers	26	-	-	-	-	20,280,230	20,280,230	20,282,215
Loans from banks and other financial institutions	27	-	-	-	-	2,468,988	2,468,988	2,468,988
Subordinated liabilities	28	-	-	-	-	260,148	260,148	260,148
Total financial liabilities		**-**	**-**	**-**	**-**	**23,260,547**	**23,260,547**	**23,262,532**

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Notes to the separate financial statements

7. Net interest income

In RON thousand	**2012**	**2011**
Interest income		
Loans and advances to customers *(i)*	1,425,747	1,436,333
Current accounts held with banks	36,823	39,366
Available for sale securities	520,056	293,987
Placements with banks	29,779	34,553
Total interest income	*2,012,405*	*1,804,239*
Interest expense		
Deposits from customers	916,694	834,701
Loans from banks and other financial institutions, bonds issued	113,305	69,994
Available for sale securities	33,553	22,412
Deposits from banks	10,984	5,253
Total interest expense	*1,074,536*	*932,360*
Net interest income	**937,869**	**871,879**

(i) Interest income from loans and advances to customers for the year ended at 31 December 2012 includes interest income related to impaired loans amounting to RON 147,960 thousand (2011: RON 86,086 thousand). The interest income and expense related to the financial assets and liabilities, others than those held at fair value through profit and loss, are determined using the effective interest rate method.

8. Net fee and commission income

In RON thousands	**2012**	**2011**
Fee and commission income		
Transactions	372,959	334,377
Loans management and guarantees issuance	114,718	106,531
Other fee and commission income	39	44
Total fee and commission income	*487,716*	*440,952*
Fee and commission expense		
Bank commissions	51,112	41,666
Transactions	11,654	10,004
Other fee and commission	250	7
Total fee and commission expense	*63,016*	*51,677*
Net fee and commission income	**424,700**	**389,275**

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

Notes to the separate financial statements

9. Net trading income

In RON thousand	**2012**	**2011**
Net income from foreign exchange transactions *(i)*	118,002	110,603
Net income/ (expenses) from financial assets at fair value through profit and loss	17,265	(2,305)
Net income/ (expenses) from revaluation of assets and liabilities held in foreign currency	(4,103)	8,790
Net trading income	**131,164**	**117,088**

(i) Net income from foreign exchange transactions also include the realized and unrealized gain and loss from spot and forward contracts.

10. Other operating income

In RON thousand	**2012**	**2011**
Dividend income	664	422
Other operating income	42,148	24,003
Total	**42,812**	**24,425**

11. Net imparment loss for other assets, other liabilities and loan commitments

In RON thousand	**2012**	**2011**
Net charge of impairment losses for assets *(i)*	370,511	360,945
Loans written-off	-	14,742
Other liabilities – employees' benefits and loan commitments	10,444	5,648
Recoveries from loans previously written off	(1,528)	(537)
Net impairment losses for other assets, other liabilities and loan Commitments	**379,427**	**380,798**

(i) Net charge of impairment losses on assets contains the following:

In RON thousand	**Note**	**2012**	**2011**
Loans and advances to customers	18	369,662	310,298
Equity investments	20	-	52,070
Other assets	24	849	(1,423)
Net charge with impairment losses on assets		**370,511**	**360,945**

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

Notes to the separate financial statements

12. Personnel expenses

In RON thousand	2012	2011
Wages and salaries	295,927	273,134
Contribution to social security	61,555	57,038
Meal tickets and other taxes related to personnel	32,777	19,667
Contribution to health fund	17,865	17,709
Contribution to unemployment fund	1,471	1,368
Total	**409,595**	**368,916**

The Bank’s number of employees at 31 December 2012 was 6,780 persons (31 December 2011: 6,788).

The Bank`s average number of employees at 31 December 2012 was 6,034 persons (31 December 2011: 5,933 persons).
The average number of employees hired in 2012 and 2011 was as follows:

Category	**Average number of employees hired in 2012**	**Average number of employees hired in 2011**
Management	2	3
Operational	50	64
Total	**52**	**67**

The expenses related to share-based payments transactions with employees, is included in the wages and salaries line amounting to RON 14,420 thousand in 2012 (2011: RON 2,200 thousand). In 2012 the Bank has distributed 14 million shares to the employees and administrators, with a vesting period of up to 3 years.

The Bank has established a program based on payments via shares, in which the Bank’s employees with high performances can exercise their right to buy a certain amount of shares issued by the Bank. The terms are as follows:

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Notes to the separate financial statements

12. Personnel expenses *(continued)*

Date	Number of shares	Vesting period	Conditions for vesting
Shares granted to the employees, 18 May 2012	9,362,130	2 years and 11 months	Realization of performance targets and prudential indicators for 2012 Realization of Bank's objectives regarding the implementation of the new accounting and reporting standards.
Shares granted to the employees, 16 August 2012	4,637,870	1 year and 5 months	Realization of Bank's objectives regarding the implementation of the new core banking Realization of performance targets and prudential indicators for 2012

	No of shares
Shares granted in 2011	-
Shares granted in 2012	14,000,000

13. Other operating expenses

In RON thousands	2012	2011
Operating lease (rent)	90,186	86,714
Repairs and maintenance	51,266	45,653
Materials and consumables	26,357	25,450
Postage and telecommunications	26,486	29,184
Advertising and promotional expenses	16,207	17,223
Security and protection	20,325	21,449
Taxes	59,097	49,536
Electricity and heating	15,549	13,847
Travel and transport	6,106	5,538
Legal, advisory and consulting	3,634	3,000
Other operational expenses	45,129	27,854
Total	**360,342**	**325,448**

14. Income tax expense

In RON thousand	2012	2011
Current tax expense at 16% (2011: 16%) of taxable profits determined in accordance with Romanian Law	15,646	53,900
Deferred tax expense/(income)	4,681	(4,203)
Total income tax expense	**20,327**	**49,697**

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

Notes to the separate financial statements

14. Income tax expense (continued)

Tax reconciliation

In RON thousands	**2012**	**2011**
Profit Before tax	**340,759**	**278,244**
Taxation at statutory rate of 16% (2010: 16%)	54,521	44,519
Non-deductible expenses and non-taxable revenues and other permanent differences	(34,194)	5,178
Taxation in the income statement	**20,327**	**49,697**

15. Cash and cash equivalents

In RON thousands	**31 December 2012**	**31 December 2011**
Minimum compulsory reserve *(i)*	4,974,894	4,178,416
Cash on hand	519,554	334,258
Current accounts held with other banks *(ii)*	81,842	33,858
Total	**5,576,290**	**4,546,532**

(i) At 31 December 2012 the minimum compulsory reserve, held with the National Bank of Romania, was established at 15% for RON and 20% for USD or EUR (31 December 2011: 15% for RON and 20% for USD or EUR) denominated funds. The balance of mandatory reserve can vary on a daily basis, The interest paid by the Central Bank for the reserve held by banks was 0,93% – 1,43% p,a, for RON denominated reserves, 0,56% – 0,79% p.a. for EUR and 0,24% - 0,50% p.a. for US Dollars denominated reserves, The mandatory reserve can be used by the Bank's day to day activities providing the average balance for the month is maintained within required formula.

(ii) Current accounts held with other banks are at immediate disposal of the Bank and unencumbered.

16. Placements with banks

In RON thousand	**31 December 2012**	**31 December 2011**
Sight and term deposits placed at other banks	1,237,227	498,464
Loans and advances to banks *(i)*	145,887	270,963
Total	**1,383,114**	**769,427**

(i) Investment securities reclassified by the Bank during 2008 and 2010 from assets available for sale into loans and advances (see note 19).

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

Notes to the separate financial statements

17. Financial assets at fair value through profit and loss

In RON thousand	31 December 2012	31 December 2011
Trading assets (quoted shares)	39,179	119,521
Total	**39,179**	**119,521**

All shares in listed companies are quoted on the Bucharest Stock Exchange.

18. Loans and advances to customers

The Bank's commercial lending is concentrated on companies and individuals domiciled in Romania and Cyprus, Economic sector risk concentrations within the customer's loan portfolio as at 31 December 2012 were and 31 December 2011, was as follows::

In RON thousands	**31 December 2012**	**31 December 2011**
Individuals	6,325,313	5,819,493
Trading	2,882,807	2,712,410
Manufacturing	2,507,113	2,196,027
Construction	990,287	838,050
Services	941,908	829,219
Transport	702,256	632,995
Real estate	526,755	474,057
Agriculture	729,524	560,453
Free lancers	382,202	340,535
Chemical industry	315,305	322,707
Energy industry	322,277	249,034
Financial institutions	312,254	197,103
Telecommunication	125,484	108,477
Mining industry	170,697	142,517
Fishing industry	7,255	4,607
Governmental bodies	31,030	27,560
Others	296,018	239,398
Total loans and advances to customers before impairment allowance	**17,568,485**	**15,694,642**
Less allowances for impairment losses on loans	(2,111,004)	(1,659,352)
Total loans and advances to customers, net of impairment allowance	**15,457,481**	**14,035,290**

Notes to the separate financial statements

18. Loans and advances to customers *(continued)*

Movement in allowance for impairment loss on loans and advances to customers granted was as follows:

In RON thousand	**2012**	**2011**
Balance at 1 January	1,659,352	1,277,866
Net impairment loss	369,662	310,298
Impairment allowance for written off loans	(63,404)	-
Efect of adjustment of interest income for impaired loans	137,632	71,188
FX gain/loss	(7,762)	-
Balance at 31 December	**2,111,004**	**1,659,352**

19. Investment securities

In RON thousand	**31 December 2012**	**31 December 2011**
Investment securities available-for-sale	**6,374,614**	**5,794,266**
Unlisted debt and other fixed income instruments:		
Treasury securities issued by the Government of Romania (*i*)	5,540,477	5,395,348
- Discount certificates	*13,405*	*1,967,099*
- Coupon certificates	*30,635*	*30,107*
- Benchmark bonds (RON)	*4,305,860*	*2,324,989*
- Treasury bills with coupon (EUR)	*1,190,577*	*1,073,153*
Eurobond issued by the Romanian Government	*824,357*	359,532
Bonds and Eurobonds *(ii)*	9,780	39,386
- *Bucharest municipality bonds*	*9,128*	*8,000*
- *Alba Iulia municipality bonds*	*652*	*706*
- *Black Sea Trade and Development Bank*	-	*30,680*
- Unit funds	153,407	17,273
Equity investment valued at cost	***1,680***	***1,680***
Total investment securities available-for-sale	**6,529,701**	**5,813,219**
Investment securities held-to-maturity		
Treasury securities issued by the Government of Romania	-	819
Total investment securities held-to-maturity	-	819
Total investment securities	**6,529,701**	**5,814,038**

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Notes to the separate financial statements

19. Investment securities *(continued)*

(i) As at 31 December 2012 the value of RON 28,450 thousand (31 December 2011: RON 28,450 thousand) were pledged for other current operations (RoClear, Sent, MASTERCARD and VISA).

Benchmark bonds issued by the Government of Romania mature between 2013 and 2022.

As of 31 December 2012, the Bank has concluded repo transactions having as supporting assets investment securities available for sale amounting to RON 1,721,650 thousand (31 December 2011: RON 1,276,023 thousand). Also, the Bank had pledges on the investment securities available for sale amounting to RON 466,819 thousand (31 December 2011: RON 346,518 thousand).

(ii) Bonds issued by Alba Iulia municipality carries a variable interest (Robid 6M + Robor 6M)/2 + 1,5% (31 December 2012: 6.5%; 31 December 2011: 7.5%). Bonds issued in EUR by Bucharest Municipality carries a fixed interest rate of 4.125%.

Reclassification of available-for-sale investments securities into loans and advances

Starting with the year 2008, the Bank classified the Euro-bonds from the category of available for sale to the category of other loans and receivables under the amendment to IAS 39 "Financial Instruments - Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosure". The Bank has identified the financial assets that have fulfilled the conditions imposed by this category (the non-derivative financial assets with fixed and determinable payments that are not quoted on an active market) and the condition of holding them for the foreseeable future.

The value of securities classified as "loans and advances" at the end of 2011 was RON 202,819 thousand.

During 2012 the Bank has purchased and classified as loans and receivables Euro-bonds in the amount of RON 25,000 thousand and Euro-bonds securities that reached maturity in 2012 amounted to RON 143,190 thousand.

Movement of titles in the category "loans and advances to customers" in 2012 is reflected in the table below:

	For the year 2012
Balance at 31 December 2011	**202,819**
Aquisitions 2012	25,000
Decreases 2012	(143,190)
Cupon for bonds	8,022
Cupon cashed during the year	(15,051)
Amortization of the difference betwen fair value and aquisition value	724
Balance 31 December 2012	**78,324**

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Notes to the separate financial statements

19. Investment Securities *(continued)*

The movement in investment securities may be summarized as follows:

In RON thousands	Available for sale	Held to maturity
At 1 January 2012	**5,813,219**	**819**
Additions (acquisitions and increase in value)	19,544,157	70
Disposals (sale, redemption and decrease in value)	18,827,675	889
At 31 December 2012	**6,529,701**	**-**
At 1 January 2011	**3,774,843**	**820**
Additions (acquisitions and increase in value)	5,903,751	195
Disposals (sale, redemption and decrease in value)	3,865,375	196
At 31 December 2011	**5,813,219**	**819**

20. Equity investments

In RON thousands	31 December 2012	31 December 2011
Participations of which:	74,053	69,978
- Gross participations	171,253	167,178
- Impairment alloawance for impairment of participations	(97,200)	(97,200)
Total net participations	**74,053**	**69,978**

Changes in impairment allowance for participation depreciation:

In RON thousands	2012	2011
Balance as at 1 January	97,200	45,130
Net impairment loss	-	52,070
Balance as at 31 December	**97,200**	**97,200**

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Notes to the separate financial statements

20. Equity investments *(continued)*

In RON thousand

Related party	Head Office	% of shares owned	Capital	Reserves	Profit/(loss) 2012
BT Leasing Transilvania IFN S.A.	Cluj-Napoca, str. G. Baritiu nr.1	100.00%	39,012	10,308	7,707
BT Securities S.A.	Cluj-Napoca, Bd. 21 Decembrie 1989 nr.104	98.68%	12,470	288	(848)
BT Direct IFN S.A.	Cluj-Napoca, str. G. Baritiu nr.1	100.00%	26,880	3,253	2,671
BT Building SRL	Cluj-Napoca, str. G. Baritiu nr.8	100.00%	448	6,243	1,428
BT Investments SRL	Cluj-Napoca, Bd. Eroilor nr.36	100.00%	50,940	(596)	8,141
BT Asset Management SAI SA	Cluj-Napoca, Bd. 21 Decembrie 1989 nr.104	80.00%	7,166	(1,379)	3,161
Compania de Factoring SRL	Bucuresti, Sos. Bucuresti-Ploiesti nr.43	100.00%	36,600	(57,136)	958
BT Medical Leasing IFN SA	Bucuresti, Sos. Bucuresti-Ploiesti nr.43	100.00%	59,949	(50,400)	(5,205)
Rent a Med SRL	Bucuresti, Sos. Bucuresti-Ploiesti nr.43	100.00%	0,50	(2,177)	(110)
BT Solution Agent de Asigurare SRL	Cluj-Napoca, str. G. Baritiu nr.1	95.00%	0,20	67	38
BT Safe Agent de Asigurare	Cluj-Napoca, str. G. Baritiu nr.1	99.99%	77	15	78
BT Intermedieri Agent de Asigurare SRL	Cluj-Napoca, str. G. Baritiu nr.1	99.99%	507	101	829
BT Finop Leasing SA	Bucuresti, Sos. Bucuresti-Ploiesti nr.43	91.98%	2,294	(4,526)	1,984
BT Leasing Moldova SRL	Republica Moldova, Chisinau, str. A.Puskin nr.60	100.00%	5,638	(2,085)	281
BT Asiom Agent de Asigurare SRL	Cluj-Napoca, str. G. Baritiu nr.1	95.00%	0,20	16	38
Transilvania Imagistica SA	Bucuresti, Sos. Bucuresti-Ploiesti nr.43	80.48%	1,000	(377)	(722)

The financial information presented, related to the Bank's subsidiaries were prepared in accordance with the statutory requirements in force.

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

Notes to the separate financial statements

21. Property and equipment

In RON thousands	Land and buildings	Computers and equipments	Vehicles	Assets in progress	Total
Gross carrying amount					
Balance at 1 January 2011	**285,106**	**183,748**	**26,596**	**6,391**	**501,841**
Additions	40	10,123	936	42,864	53,963
Transfers from investment in progress	6,703	8,816	1,072	-	16,591
Additions (reclassification)	630	-	-	-	630
Disposals	(991)	(9,153)	(544)	(16,936)	(27,624)
Disposals (reclassification)	(816)	-	-	(4,602)	(5,418)
Balance at 31 December 2011	**290,672**	**193,534**	**28,060**	**27,717**	**539,983**
Balance at 1 January 2012	**290,672**	**193,534**	**28,060**	**27,717**	**539,983**
Additions	617	13,060	392	44,803	58,872
Transfers from investment in progress	17,903	23,419	1,221	-	42,543
Reevaluations	321	1,804	2,506	-	4,631
Disposals	(2,857)	(7,109)	(3,371)	(42,543)	(55,880)
Balance at 31 December 2012	**306,656**	**224,708**	**28,808**	**29,977**	**590,149**
Depreciation and impairment loss					
Balance at 1 January 2011	**100,652**	**121,975**	**18,701**	**-**	**241,328**
Charge for the year	17,842	20,778	3,838	-	42,458
Accumulated depreciation of disposals	(926)	(8,804)	(473)	-	(10,203)
Accumulated depreciation of reclassifications	(186)	-	-	-	(186)
Balance at 31 December 2011	**117,382**	**133,949**	**22,066**	**-**	**273,397**
Balance at 1 January 2012	**117,382**	**133,949**	**22,066**	**-**	**273,397**
Charge for the year	13,947	22,245	3,141	-	39,333
Accumulated depreciation of disposals	(2,751)	(6,748)	(3,287)	-	(12,786)
Reevaluation	199	-	-	-	199
Balance at 31 December 2012	**128,777**	**149,446**	**21,920**	**-**	**300,143**
Carrying amount					
Balance at 1 January 2012	**173,290**	**59,585**	**5,994**	**27,717**	**266,586**
Balance at 31 December 2012	**177,879**	**75,262**	**6,888**	**29,977**	**290,006**

At 31 December 2012 the Bank does not have leased property and equipment. At 31 December 2012 the Bank had no pledged property, equipment or intangible assets.

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Notes to the separate financial statements

22. Intangible assets

In RON thousands	Software 2012	2011
Gross carrying amount		
Balance at 1 January	**110,620**	**87,442**
Additions	18,044	29,966
Transfers from investment in progress	1,923	6,270
Disposals	(2,092)	(13,058)
Balance at 31 December	**128,495**	**110,620**
Accumulated amortization		
Balance at 1 January	**41,484**	**40,079**
Charge for the year	7,089	6,803
Disposals	(168)	(5,398)
Balance at 31 December	**48,405**	**41,484**
Carrying amount		
Balance at 1 January	**69,136**	**47,363**
Balance at 31 December	**80,090**	**69,136**

23. Deferred tax assets and liabilities

In RON thousands	31 December 2012		
	Asset	**Liability**	**Net**
Loans and advances to customers	135,600	(209,770)	(74,170)
Investment securities, available-for-sale	-	(102,252)	(102,252)
Total	135,600	(312,022)	(176,422)
Net temporary differences			**(176,422)**
Deferred tax liability at 16%			**28,228**

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Notes to the separate financial statements

23. Deferred tax assets and liabilities (continued)

In RON thousands	31 December 2011		
	Assets	Liability	Net
Loans and advances to customers	169,670	-	169,670
Investment securities, available-for-sale	-	(3,020)	(3,020)
Other assets	1,938	-	1,938
Total	171,608	(3,020)	168,588
Net temporary differences			**168,588**
Deferred tax asset at 16%			**26,974**

24. Other assets

In RON thousand	31 December 2012	31 December 2011
Amounts under settlement	30,036	21,845
Assets repossessed	39,713	42,304
Prepayments	18,129	15,060
Sundry debtors	29,044	19,313
Income tax receivable	26,885	7
Other assets	603	2,545
Less impairment losses for other assets	(2,280)	(1,431)
Subsidies	-	721
Total	**142,130**	**100,364**

Movement in impairment allowance for losses on other assets for the year was as follows:

In RON thousand	2012	2011
Balance at 1 January	1,431	2,854
Net impairment allowance expense (Note 11)	849	(1,423)
Balance at 31 December	**2,280**	**1,431**

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Notes to the separate financial statements

25. Deposits from banks

In RON thousands	31 December 2012	31 December 2011
Sight deposits	1,617	135,767
Term deposits	44,336	115,414
Total	**45,953**	**251,181**

26. Deposits from customers

In RON thousand	31 December 2012	31 December 2011
Current accounts	3,663,733	3,137,219
Sight deposits	156,541	142,330
Term deposits	18,922,365	16,521,761
Collateral deposits	490,283	478,920
Total	**23,232,922**	**20,280,230**

Deposits from customers can be also analyzed as follows::

In RON thousand	31 December 2012	31 December 2011
Retail customers	15,655,353	13,401,149
Corporate customers	7,577,569	6,879,081
Total	**23,232,922**	**20,280,230**

27. Loans from banks and other financial institutions

In RON thousand	31 December 2011	31 December 2010
Loans from development banks (EBRD, IFC)	530,261	756,393
Other funds from financial institutions	2,439,041	1,712,595
Out of which: Repurchase transactions with financial institutions	1,721,650	1,276,023
Total	**2,969,302**	**2,468,988**

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27. Loans from banks and other financial institutions (continued)

The interest rates range for loans from banks and financial institutions was as follows:

	2012		2011	
	minimum	**Maximum**	**minimum**	**maximum**
EUR	0.75%	Euribor 6M+4.50 %	1%	Euribor 6M+3.9 %
LEI	5.25%	5.25%	6%	6%
USD	Libor 6M+0.51%	Libor 6M + 4.50%	Libor 6M+0.38%	Libor 6M + 3.0%

28. Subordinated liabilities

In RON thousand	**2012**	**2011**
Loans from financial institutions	288,810	260,148
Total	**288,810**	**260,148**

In 2006, the Bank contracted a subordinated loan agreement with five credit institutions for EUR 60,000 thousand bearing an inter-banking interest rate available during the respective period Euribor 6M + 3,4%. The inter-banking rate is, for each period, the annual interest rate offered for deposits in the respective currency, which is published on the reference page at 11:00 am, Bruxelles time. The loan shall be repaid by one installment at the seventh anniversary from the contract date.

The payments of any amounts payable under this contract are subordinated to the payment of all Senior Indebtedness, so that no amount shall be paid in respect of the loan in such bankruptcy, insolvency, winding-up or liquidation of the borrower or in any other similar event affecting the borrower, until all claims in respect of Senior Indebtedness admitted in such cases.

In 2012 the Bank contracted a loan in amount of EUR 5 million from The European Found for Eastern Europe, at an interest rate Euribor 3M +6.5%.

29. Other liabilities

In RON thousands	**31 December 2012**	**31 December 2011**
Amounts under settlement	217,664	124,797
Other fees payable	21,611	45,120
Sundry creditors	14,590	23,500
Other liabilities	21,187	17,561
Provisions for risks and charges	36,840	26,517
Total	**311,892**	**237,495**

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Notes to the separate financial statements

30. Share capital

The statutory share capital of the Bank as of 31 December 2012 was represented by 1,903,042,413 ordinary shares of RON 1 each (31 December 2011: 1,773,658,066 shares of RON 1 each). The shareholders structure of the Bank is presented in Note 1.

The capital increase by cash contribution and incorporation of reserves from the statutory profit amounting to RON 129,384,347 was registered at the Trade Register in 2012.

In RON thousands	**31 December 2012**	**31 December 2011**
Share capital registered at Trade Register	1,903,042	1,773,658
Hyperinflation adjustment	89,899	89,899
Adjustment of the share capital related to the not realized revaluation reserves from property and equipment	(3,398)	(3,398)
Total	**1,989,543**	**1,860,159**

31. Other reserves

As at 31 December 2012 and 31 December 2011 the reserves include the following:

In RON thousands	**31 December 2012**	**31 December 2011**
General banking risks *(i)*	77,893	77,893
Statutory reserve *(ii)*	133,977	116,939
Fair value losses taken to equity (net of tax) on available for sale investments	87,007	(3,132)
Total	**298,877**	**191,700**

Statutory reserves

In RON thousand	**2012**	**2011**
At 1 January	116,939	107,650
Appropriations from profit	17,038	9,289
Total	**133,977**	**116,939**

(i) The general banking risks reserve include amounts set aside in accordance with local banking regulations for future losses and other unforeseen risks or contingencies, are separately disclosed as appropriations of profit. The general banking risks reserve is appropriated from the statutory gross profit at the rate of 1% of the balance of the assets carrying specific banking risks. The general banking risks reserve was set up, starting financial year 2004 up to the end of financial year 2006.

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

The statutory reserves are not distributable.

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

Notes to the separate financial statements

32. Related parties transactions

Transactions with shareholders

During the year ended 31 December 2012, the following banking transactions were carried out with the shareholders:

In RON thousands	**31 December 2012**	**31 December 2011**
Assets		
Loans to shareholders granted by Banca Transilvania SA, related interest and provisions.	763	53
Liabilities		
Current accounts and deposits	114,422	155,323
Loans from financial institutions	146,805	265,325
Subordinated loans	53,331	52,030
Income statement		
Interest income and fees	156	42
Performance commission income	294	521
Interest, commission expense	18,848	23,813

Transactions with personnel

During the year ended 31 December 2012, the following banking transactions were carried out with key personnel:

In RON thousands	**2012**	**2011**
Assets		
Loans to key personnel granted by the Bank, related interest and provisions	96,992	108,076
Liabilities		
Current accounts at the Bank, deposits and accrued	50,584	41,469
Commitments to key personnel	557	5,266
Income statement		
Interest income	4,695	7,717
Commission expense	1,885	4,903

During 2012 the total salaries paid by the Bank to the Board of Directors' members and Executive Management amounted to RON 3,257 thousand (2011: RON 3,744 thousand).

Notes to the separate financial statements

33. Commitments and contingencies

At any time the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one month to one year.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Expirations are not concentrated in any period.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table as commitments assume that amounts are fully advanced.

The amounts reflected in the table as guarantees and letters of credit represent the maximum accounting loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted.

In mii LEI	**31 December 2012**	**31 December 2011**
Guarantees issued	1,754,770	1,460,923
Loan commitments	2,464,906	2,297,196
Total	**4,219,676**	**3,758,119**

At 31 December 2012 currency transactions were:

a. Forward transactions

Transactions with retail clients

- Purchases RON 19,126,830 equivalent EUR 4,300,000
- Purchases RON 289,164 equivalent USD 85,000

b. Swap transactions

Transactions with banks

Purchases RON 46,355,000 equivalent EUR 10,000,000

Purchases EUR 17,000,000 equivalent RON 77,391,810

34 . Subsequent events after the date of the separate financial statements

There were no subsequent events after the date of the separate financial statements that could have significant impact on the Bank for the 2012 financial year.

Horia Ciorcila	Mariana Ilea
President	*Deputy Director D.C.G.*

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