Banca Transilvania S.A.

Separate Financial Statements

31 December 2013

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

Free translation

Banca Transilvania S.A.

Contents

Separate statement of profit or loss and other comprehensive income

For the year ended 31 December

	Note	2013	2012
		RON thousand	*RON thousand*
Interest income		1,846,013	1,971,159
Interest expense		(855,631)	(1,040,995)
Net interest income	7	**990,382**	**930,164**
Fee and commission income		435,175	420,077
Fee and commission expense		(73,439)	(63,016)
Net fee and commission income	8	**361,736**	**357,061**
Net trading income	9	128,832	131,164
Net gain from sale of available for sale financial instruments	10	203,613	75,344
Contribution to the Banking Deposits Guarantee Fund		(64,398)	(54,045)
Other operating income	11	39,172	44,340
Operating income		**1,659,337**	**1,484,028**
Net impairment allowance on assets, other contingencies and loan commitments	12	(407,384)	(374,634)
Personnel expenses	13	(441,242)	(415,916)
Depreciation and amortization	22,23	(56,780)	(46,422)
Other operating expenses	14	(310,829)	(306,297)
Operating expenses		**(1,216,235)**	**(1,143,269)**
Profit before income tax		**443,102**	**340,759**
Income tax expense	15	(68,204)	(20,327)
Profit for the year		**374,898**	**320,432**

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

Separate statement of profit or loss and other comprehensive income

For the year ended 31 December

	Note	2013	2012
		RON thousand	*RON thousand*
Profit for the year		**374,898**	**320,432**
Items that will never be reclassified to profit or loss		**(5,568)**	**(28,914)**
Increases/ decreases from revaluation of property and equipment, net of tax		(5,517)	4,738
Other elements of comprehensive income		(51)	(33,652)
Items that are or may be reclassified to profit or loss, net of tax, out of which:		**10,303**	**90,139**
Net gain from sale of available for sale financial instruments transferred to profit and loss account		(187,552)	(75,104)
Fair value changes of available for sale financial instruments		197,855	165,243
Total comprehensive income		**379,633**	**381,657**

The separate financial statements were authorized for issue by the Board of Directors on March 27th, 2014 and were signed on its behalf by:

Horia Ciorcila
Chairman

George Calinescu
Deputy CEO

The accompanying notes from pages 8 to 74 form an integral part of these separate financial statements.

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Separate statement of financial position

As at 31 December

	Note	2013	2012
		RON thousand	*RON thousand*
Assets			
Cash and cash equivalents	16	4,101,913	5,576,290
Placements with banks	17	1,758,512	1,383,114
Financial assets at fair value through profit and loss	18	11,122	39,179
Loans and advances to customers	19	16,667,200	15,457,481
Investment securities, available for sale	20	8,936,455	6,529,701
Property and equipment	22	289,046	290,006
Intangible assets	23	82,908	80,090
Equity investments	21	73,956	74,053
Other assets	25	144,753	142,130
Total assets		**32,065,865**	**29,572,044**
Liabilities			
Deposits from banks	26	418,755	45,953
Deposits from customers	27	25,803,860	23,232,922
Loans from banks and other financial institutions	28	2,067,261	2,969,302
Subordinated liabilities	29	337,913	288,810
Deferred tax liabilities	24	59,985	28,228
Other liabilities	30	295,597	311,892
Total liabilities		**28,983,371**	**26,877,107**
Equity			
Share capital	31	2,292,937	1,989,543
Retained earnings		430,043	376,144
Treasury shares		(818)	(7,752)
Revaluation reserve		28,997	38,125
Other reserves	32	331,335	298,877
	32		
Total equity		**3,082,494**	**2,694,937**
Total liabilities and equity		**32,065,865**	**29,572,044**

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Horia Ciorcila	George Calinescu
Chairman	*Deputy CEO*

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Banca Transilvania S.A.

Separate statement of changes in equity

For the year ended 31 December 2013

In RON thousand	Share capital	Share premium	Treasury Shares	Revaluation Reserves	Other reserves	Retained earnings	Total
Balance as at 31 December 2012	**1,989,543**	**-**	**(7,752)**	**38,125**	**298,877**	**376,144**	**2,694,937**
Total comprehensive income							
Profit for the year	-	-	-	-	-	374,898	**374,898**
Other comprehensive income, net of income tax							
Transfer from revaluation surplus to retained earnings	-	-	-	(4,191)	-	4,191	-
Reevaluation reserve for property and equipment, net of income tax	-	-	-	(4,937)	-	(580)	**(5,517)**
Fair values gains / (losses) from available for sale financial assets (net of deferred tax)	-	-	-	-	10,303	-	**10,303**
Other comprehensive income	-	-	-	-	-	(51)	**(51)**
Total comprehensive income	**-**	**-**	**-**	**(9,128)**	**10,303**	**378,458**	**379,633**
Contributions by shareholders							
Increase in share capital through conversion of reserves from the statutory profit	303,394	-	-	-	-	(303,394)	-
Acquisitions of treasury shares	-	-	(13,233)	-	-	-	**(13,233)**
Increase in share capital through incorporation of share premiums						-	-
Distribution to statutory reserves	-	-	-	-	22,155	(22,155)	-
Share based payments	-	-	20,167	-	-	990	**21,157**
Total contributions by shareholders	**303,394**	**-**	**6,934**	**-**	**22,155**	**(324,559)**	**7,924**
Balance at 31 December 2013	**2,292,937**	**-**	**(818)**	**28,997**	**331,335**	**430,043**	**3,082,494**

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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	Treasury 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	-	-	-	-	-	320,432	**320,432**
Profit for the year							
Other comprehensive income, net of income tax							
Transfer from revaluation surplus to retained earn-ings	-	-	-	(747)	-	747	-
Reevaluation reserve	-	-	-	4,738	-	-	**4,738**
Fair values gains / (losses) from available for sale financial assets (net of deferred tax)	-	-	-	-	90,139	-	**90,139**
Other comprehensive income	-	-	-	-	-	(33,652)	**(33,652)**
Total comprehensive income	**-**	**-**	**-**	**3,991**	**90,139**	**287,527**	**381,657**
Contributions by shareholders							
Increase in share capital through conversion of reserves from the statutory profit	128,652	-	-	-	-	(128,652)	-
Acquisitions of treasury 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)**
	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 cash flows

For the year ended 31 December

In RON thousand	Note	2013	2012
Cash flow from operating activities			
Profit for the year		**374,898**	**320,432**
Adjustments for:			
Depreciation and amortization	22,23	56,780	46,422
Provisions and write-offs of financial assets, other contingencies and loan commitments	12	407,384	374,634
Fair value adjustment of financial assets at fair value through profit and loss		1,080	(11,829)
Income tax expense	15	68,204	20,327
Other adjustments		(88,292)	(2,694)
Net profit adjusted with non-monetary items		**820,054**	**747,292**
Changes in operating assets and liabilities			
Change in investment securities		(2,363,317)	(518,314)
Change in deposits and placements with banks		(50,371)	216,290
Change in loans and advances to customers		(1,531,044)	(1,780,143)
Change in financial assets at fair value through profit and loss		26,977	92,170
Change in other assets		(17,458)	(58,586)
Change in deposits from banks		372,626	(205,032)
Change in deposits from customers		2,589,848	2,913,886
Change in other liabilities		(62,386)	121,597
Income tax paid		(15,451)	(67,382)
Net cash from / (used in) operating activities		**(230,522)**	**1,461,778**
Cash flow from (used in) investing activities			
Net acquisitions of tangible and intangible assets		(52,857)	(71,941)
Acquisition of equity investments		-	(1,280)
Dividends collected	10	508	664
Net cash flow proceeds / (used in) investing activities		**(52,349)**	**(72,557)**
Cash flow from / (used in) financing activities			
Proceeds from increase of share capital		-	-
Net collections / (payments) from loans from banks and other financial institutions, subordinated debts and debt securities issued		(856,417)	491,052
Collections from investments held to maturity		-	780
Payments for treasury shares		(13,233)	(20,945)
Net cash from / (used in) financing activities		**(869,650)**	**470,887**

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Separate statement of cash flows (continued)

For the year ended 31 December

In RON thousand	**2013**	**2012**
Net increase / (decrease) in cash and cash equivalents	(1,152,521)	1,860,108
Cash and cash equivalents at 1 January	6,879,478	5,019,370
Cash and cash equivalents at 31 December	**5,726,957**	**6,879,478**

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

In RON thousand	**Note**	**31 December 2013**	**31 December 2012**
Cash and cash equivalents	15	4,101,913	5,576,290
Placements with banks, less than 3 months maturity		1,626,144	1,304,788
Less accrued interest		(1,100)	(1,600)
Cash and cash equivalents in the separate cash flow statement		**5,726,957**	**6,879,478**

Cash flows from operating activities include:

In RON thousand	**2013**	**2012**
Interest collected	1,784,938	1,734,054
Interest paid	875,487	1,001,662

Notes to the separate financial statements

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 legal entities and individuals.

The Bank carries its banking activity through its head office located in Cluj-Napoca and 61 branches, 436 agencies, 33 bank units, 11 healthcare division units throughout the country and 1 regional center located in Bucharest (2012: 63 branches, 445 agencies, 31 bank units, 11 healthcare division units and 1 regional center located in Bucharest). 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.

As at 31 December 2013, the Bank no longer operated through the branch located in Cyprus. As at 31 December 2012 the asset structure of the branch was: total assets RON 618,475 thousand, total liabilities RON 618,946 thousand, losses RON 471 thousand. During 2013 the Bank opened a branch located in Italy, which started to operate in 2014.

The Bank's number of active employees as at 31 December 2013 was 6,041 (31 December 2012: 6,160).

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 2013	31 December 2012
European Bank for Reconstruction and Development ("EBRD")	14.61%	14.61%
Romanian individuals	19.56%	23.06%
Romanian companies	24.64%	26.32%
Foreign individuals	2.33%	2.84%
Foreign companies	38.86%	33.17%
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 2013.

The Bank also prepares a set of consolidated financial statements of the Group in accordance with the International Financial Reporting Standards as endorsed by the European Union ("IFRS"), effective at the Group annual reporting date, 31 December 2013.

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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 for the financial assets and liabilities at fair value through profit or loss and for the 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 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.

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

2. Significant accounting policies

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 of 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) Conversion of foreign currency operations

The results and financial position of foreign currency operations are converted 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 2013	31 December 2012	Variation %
Euro (EUR)	1: LEU 4.4847	1: LEU 4.4287	1.01%
US Dollar (USD)	1: LEU 3.2551	1: LEU 3.3575	0.97%

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2. Significant accounting policies (continued)

b) Accounting method for the effect of hyperinflation

According to IAS 29 and IAS 21, 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 statement of financial position, 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 were no longer adopted in preparing these separate financial statements.

Accordingly, the amounts expressed in the measuring unit as 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.

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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2. Significant accounting policies (continued)

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 service 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) Net gains and losses from sale of financial instruments available for sale

Net gains and losses from sale of financial instruments available for sale are recognized in the statement of profit and loss in the moment of selling the financial instruments available for sale. Those represent the difference between the selling price and amortized cost of the financial instruments available for sale.

g) 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.

h) 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.

i) Tax on profit

The tax on profit comprises the current and the deferred tax. The tax on profit is recognized in the statement of profit or loss 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 percent outstanding at the balance sheet date and any adjustment to tax payable in respect of prior periods. The adjustments that influence the fiscal base of current tax are: non-deductible expenses, non-taxable income, items similar to expenses, or to income and other tax deductions.

Items assimilated to expenses includes: prudential filters that are "positive differences between prudential value adjustments / expected losses determined on the basis of methodologies applicable starting with the financial year of 2012 and impairment adjustments determined under IFRS, related to financial assets covered by these methodologies." In terms of tax, prudential filters are deducted from current tax calculation and the reduction or cancellation is taxed in order of their registration.

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

2. Significant accounting policies (continued)

i) Tax on profit (continued)

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.

The tax rate used to calculate the current and deferred tax position on 31 December 2013 is 16% (31 December 2012: 16%).

j) 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 subcategories: 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

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j) Financial assets and liabilities (continued)

(iii) Derecognition (continued)

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.

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

a. Policy applicable after 1 January 2013

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at the date. The fair value of a liability reflects its nonperformance risk.

2. Significant accounting policies *(continued)*

j) Financial assets and liabilities *(continued)*

(vi) Fair value measurement (continued)

a. Policy applicable after 1 January 2013(continued)

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.
The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.
The best evidence of a fair value of a financial instrument at initial recognition is normally the transaction price – the fair value of a consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at the fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of an instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.
The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

b. *Policy applicable before 1 January 2013*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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. 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.

2. Significant accounting policies *(continued)*

j) Financial assets and liabilities *(continued)*

(vi) Fair value measurement (continued)

b. *Policy applicable before 1 January 2013(continued)*

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 assess whether 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 statement of profit or loss. 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 methodology, included observable data on the following loss events that comes to its attention as objective evidence that loans and advances to customers or group 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, granted 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 form;

2. Significant accounting policies *(continued)*

j) Financial assets and liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Loans and advances to customers (continued)

(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. The loans to customers individually assessed, for which an individual impairment is recognized or continue to be recognized are not included in the groups with similar characteristics of impairment under collective assessment. 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. Future cash flows related to a group of loans and advances to customers, which are collectively assessed for impairment, are estimated on based on the historical loss experience noted for loans and advances to customers with similar credit risk characteristics. Historical loss experience is adjusted based on the current observable data in order to reflect the current conditions effects 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 currently exist.

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 to equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly to equity shall be released directly from equity and recognized in profit or loss even though the financial asset has not been derecognized.

2. Significant accounting policies *(continued)*

j) Financial assets and liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Available for sale financial assets (continued)

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 the statement of profit and loss.

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 statement of profit and loss.

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 the statement of profit and loss.

(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.

k) 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.

l) 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 statement of profit and loss. 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.

2. Significant accounting policies *(continued)*

m) 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 the statement of comprehensive income as a component of net trading income.

(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.

n) 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(j) (viii) above.

Loans and advances are stated at net value after deducting of the impairment provision. 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.

o) 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.

However, sales and reclassifications in any of the following circumstances would not trigger a reclassification: sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; sales or reclassifications after the Bank has collected substantially all of the asset's original principal; sales or reclassifications attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

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)

o) Investment securities (continued)

(ii) Fair value through profit and loss

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

(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 fair value.

Other equity investments in listed or unlisted companies are classified as available for sale assets and are carried at 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 rate method. Dividend income is recognized in profit and loss when the Bank becomes entitled to receive 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.

p) 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 statement of profit or loss as an expense as incurred.

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2. Significant accounting policies (*continued)*

p) Property and equipment (continued)

(iii) Depreciation

Depreciation is charged to the statement of profit or loss 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.

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

Buildings	50 years
Leasehold improvements (average)	6 years
Computers	4 years
Furniture and equipment	2 – 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.

r) Intangible assets

Intangible are initially recognized at 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 future economic benefits exceeding costs for a period longer than 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 statement of profit or loss 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.

s) 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 these are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss in other items than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount.

2. Significant accounting policies *(continued)*

s) Impairment of non-financial assets (continued)

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.

t) 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 rate method.

u) 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 these instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

v) Provisions

Provisions are recognized in the separate statement of financial position when the Bank has a present obligation, legal or constructive, 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.

x) Financial guarantees

Financial guarantees are contracts that engage Bank to perform specific payments to reimburse the holder for a loss it incurred to the holder because a specific 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 its amortized amount and the present value of any expected payment (when a payment of the guarantee has become probable).

y) 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.

2. Significant accounting policies (continued)

y) Employee benefits (continued)

(ii) Defined contribution plans (continued)

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 postretirement 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.

z) 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.

w) Treasury shares

Treasury 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.

aa) Reclassification

In 2013, the Bank reclassified from interest income the net gains from sale of financial instruments available for sale at a distinct position in the statement of profit or loss and statement of comprehensive income and loan management fees have been reclassified from fee income to interest income. These reclassifications affected the statement of profit or loss and statement of comprehensive income for comparative figures as follows:

	2012		
In RON thousand	**Before reclassification**	**The effect of the reclassification**	**After reclassification**
Interest income	2,012,405	(41,246)	1,971,159
Interest expenses	(1,074,536)	33,541	(1,040,995)
Net interest income	**937,869**	**(7,705)**	**930,164**
Loan management fees	67,639	-	-
Fee and commission income	**424,700**	**(67,639)**	**357,061**
Net gain from sale of financial instruments available for sale	-	75,344	75,344
Operational income	1,484,028	-	1,484,028

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2. Significant accounting policies (continued)

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 2013, and have not been applied in preparing these separate financial statements:

- IFRS 9 Financial Instruments – adoption date not yet decided. 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 recognized 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 recognized in OCI is ever reclassified to profit or loss at a later date. It is expected that the new Standard, when initially applied, will have a significant impact on the financial statements, since the classification and the measurement of the Bank's financial assets are expected to change. This standard had not yet been adopted by the European Union.

- Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 27 (2011) Separate Financial Statements – Investment Entities (effective for annual periods beginning on or after 1 January 2014). According to these amendments, an entity does not have to prepare consolidated financial statements and has the obligation to assess all its subsidiaries at fair value through profit or. loss An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity. According to these essential elements an investment entity obtains funds from investors to provide those investors with investment management services;

- commits to its investors that its business purpose is to invest for returns solely from appreciation and/or investment income; and

- measures and evaluates the performance of substantially all of its investments on a fair value basis.

The amendments also set out disclosure requirements for investment entities.

- 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" eliminates and replaces IAS 31 "Interests 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 financial statements since it is not a party to any joint arrangements.

2. Significant accounting policies (continued)

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

- 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 financial statements.

- IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011) are also applied early). 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 does not expect IAS 27 (2011) to have material impact on the financial statements, since it does not results in a change in the entity‘s accounting policy.

- 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; b) changes in interests held in associates and joint ventures. Previously, IAS 28 and IAS 31 specified that the cessation of significant influence or joint control triggered re-measurement 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 re-measured. The Bank does not expect the amendments to standard to have material impact on the 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 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)

- Amendments to IAS 36 –”Recoverable Amount Disclosures for Non-Financial Assets” (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted, however an entity shall not apply the amendments in periods (including comparative periods) in which it does not also apply IFRS 13). The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognized or reversed during the period. The Amendments also require the following additional disclosures when an impairment for individual assets (including goodwill) or cash-generated units has been recognized or reversed in the period and recoverable amount is based on fair value less costs to disposal: the level of IFRS 13 ‘Fair value hierarchy’ within which the fair value measurement of the asset or cash-generating unit is categorized; for fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique together with the reason for making it; for fair value measurements categorized within Level 2 and Level 3, each key assumption (i.e. assumptions to which recoverable amount is most sensitive) used in determining fair value less costs of disposal. If fair value less costs of disposal is measured using a present value technique, discount rate(s) used both in current and previous measurement should be disclosed. The Bank does not expect the new Standard will have a material impact on the financial statements.

- Amendments to IAS 39 – “Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted, however an entity shall not apply the amendments in periods (including comparative periods) in which it does not also apply IFRS 13). The Amendments allows hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulations, when the following criteria are met: the novation is made as a consequence of laws or regulations; a clearing counterparty becomes a new counterparty to each of the original counterparties of the derivative instrument; changes to the terms of the derivative are limited to those necessary to replace. The Bank does not expect the new standard to have any impact on the financial statements, since the entity does not apply hedge accounting.

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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 of Directors has the responsibility regarding the establishment and monitoring of the general framework for the Bank risk management. The Board of Directors has appointed Leaders Committee, Executive Management Committee, Assets - Liabilities Committee (ALCO), Credit Policy and Approval Committee, Credit and Risk Committees of Central Bank (loan approval), Credit and Risk Committee of branches / agencies that are responsible for the formulation and / or monitoring risk management policies in their field of expertise. The Board of Directors periodically reviews the activity of these committees.

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.

3. Financial risk management *(continued)*

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. 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 34).

In order to minimize the risk, the Bank has certain procedures meant to assess customers 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 has delegated responsibility for credit risk management to Leaders Committee, Executive Management Committee, Credit approval and Policy Committee, Credit and Risk committees from the head office of the Bank (credit approval) at Head Office level and to Credit and Risk Committees of branches / agencies at branch level. Within the Bank operates the Risk Management Division that reports to the above Central Committees and has responsibilities 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 Leaders Committee;
- 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;

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3. Financial risk management *(continued)*

b) Credit Risk (continued)

(i) Credit Risk Management (continued)

- Periodically presents reports to the Board of Directors and Leaders Committee regarding the evolution of the significant risks (the implications of risk correlation, forecasts etc.);
- Analysis of the loan portfolio both individually and as a group of financial assets with similar characteristics in order 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 Leader 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.

The Internal Audit Department and the Risk Inspection Department are part of 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.

3. Financial risk management *(continued)*

b) Credit Risk (continued)

(i) Credit Risk Management (continued)

The table from below contains the Bank's on and off balance sheet exposure split on economic sector concentration:

	31 December 2013	31 December 2012
Individuals	31.63%	32.60%
Production	16.80%	15.18%
Trading	16.26%	16.44%
Constructions	8.12%	7.48%
Services	5.04%	5.00%
Agriculture	4.33%	4.50%
Transport	3.78%	4.20%
Real estate	2.73%	2.56%
Others	2.68%	2.41%
Energy industry	2.41%	2.46%
Authorized individuals	1.80%	1.79%
Financial institutions	1.46%	1.79%
Chemical industry	1.43%	1.71%
Mining industry	0.89%	0.99%
Telecommunication	0.47%	0.68%
Governmental bodies	0.13%	0.15%
Fishing industry	0.04%	0.06%
	100.00%	**100.00%**

At 31 December 2013, the amount of balance sheet and off-balance sheet total exposure was RON 24,091,737 thousand (31 December 2012: RON 21,786,278 thousand).
The amounts reflected in the previous paragraph reflect the maximum accounting loss that would be recognized at reporting date if the customers fail completely to perform as contractually agreed and any collateral or security proved to be of no value.

The Bank holds collaterals for loans and advances to customers in the form of pledge over cash deposits, mortgage interests over property, guarantees and other pledges over equipment and/or receivables. Estimates of fair value are based on the value of collateral assessed at the time of lending, 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 is using risk grades both for loans individually and collectively assessed. According to the Bank's policies, a loan can be allocated to an appropriate risk grade from low risk (1) to impaired (8). Classification of risk grades is based on customers payment behavior and on impairment signs identified when performing individual assessment, risk grade (8) being composed mainly of exposure from non-performing loans and loans for which the legal recovery process was initiated.

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3. Financial risk management *(continued)*

b) Credit risk management *(continued)*

The exposures to credit risk for loans and advances to customers as of 31 December 2013 and 31 December 2012 are presented below:

Carrying amount		2013	2012
Depreciated cost			
Grade 1	Low Risk	14,084,308	13,139,617
Grade 2-3	Moderate Risk	987,247	1,183,107
Grade 4-6	Medium Risk	988,322	969,303
Grade 7	High Risk	490,543	172,942
Grade 8	Impaired	2,609,839	2,103,516
Gross Value		**19,160,259**	**17,568,485**
Adjustment for impairment (individual and collective)		(2,493,059)	(2,111,004)
Net book value		**16,667,200**	**15,457,481**
Gross values neither past due nor impaired			
Grade 1	Low Risk	13,372,633	12,188,331
Grade 2-3	Moderate Risk	755,027	809,334
Grade 4-6	Medium Risk	58,003	68,784
Total		**14,185,663**	**13,066,449**
Gross values of outstanding loans and advances granted to customers past due but not impaired			
	1-15 days	752,390	1,074,514
	15 – 30 days	183,552	239,539
	30-60 days	275,097	337,682
	60-90 days	247,163	260,576
	90-180 days	112,340	128,382
	180 days +	20,041	16,960
Total		**1,590,583**	**2,057,653**
Gross value of loans and receivables offered to customers with specific (individual) adjustments			
Grade 4-6	Medium Risk	283,631	167,925
Grade 7	High Risk	490,543	172,942
Grade 8	Impaired	2,609,839	2,103,516
Total		**3,384,013**	**2,444,383**
Adjustments for impairment			
Individual		(1,385,998)	(1,073,670)
Collective		(1,107,061)	(1,037,334)
Total Adjustments for impairment		**(2,493,059)**	**(2,111,004)**

3. Financial risk management *(continued)*

b) Credit risk management *(continued)*

The outstanding balance of the Bank as at 31 December 2013 amounted to RON 3,167,236 thousand, representing renegotiated loan agreements within the past 5 years. According to the internal procedure regarding exposure reporting and monitoring, the high risk category as at 31 December 2013 included the amount of RON 490.544 thousand, representing mainly loans with final maturities amended within the past 12 months.

In addition, the Bank had entered into lending commitments as of 31 December 2013 amounting to RON 4,931,541 thousand (31 December 2012: RON 4,219,757 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 assessed 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 assessed that an individual impairment is not necessary on the basis of the level of security/collateral available and/or the stage of collection of amounts due to the Bank.

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 2013 is RON 145,625 thousand (31 December 2012: RON 63,404 thousand).

The Bank holds collateral against loans and advances to customers in the form of mortgage 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.

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3. Financial risk management *(continued)*

b) Credit risk management *(continued)*

An analysis of the collaterals values split per types of loans and advances granted to customers is presented below:

In RON thousand	**31 December 2013**	**31 December 2012**
Collaterals related to loans with a moderate, medium and high risk and impaired loans		
Real estate	4,060,292	4,840,149
Pledges	474,805	763,835
Other collaterals	198,788	96,301
	4,733,885	**5,700,285**
Collaterals related to loans with low risk		
Real estate	11,540,642	10,423,197
Pledgees	1,842,409	1,920,418
Other collaterals	1,570,695	194,895
	14,953,746	**12,538,510**
Total	**19,687,631**	**18,238,795**

Exposures to higher risk Eurozone countries

Significant concerns about the creditworthiness of certain Eurozone countries persisted during 2013 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.

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3. Financial risk management *(continued)*

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 sources of funding. 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 sources of funding.

The Management Committee of Assets and Liabilities (ALCO) 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 presented below:

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3. Financial risk management *(continued)*

c) Liquidity risk *(continued)*

In RON thousand	**Book Value**	**Gross Value (inputs/ outputs)**	**Up to 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3 – 5 years**	**Over 5 years**	**Without maturity**
31 December 2013									
Financial liabilities									
Deposits from banks	418,755	(418,949)	(418,640)	(309)	-	-	-	-	-
Deposits from customers	25,803,860	(25,929,137)	(17,980,079)	(3,621,263)	(1,823,338)	(824,491)	(1,577,923)	(102,043)	-
Loans from banks and other financial institutions, other subordinated loans and debt securities issued	2,405,174	(2,594,477)	(1,554,119)	(153,453)	(93,838)	(303,836)	(186,995)	(302,236)	-
Total financial liabilities	**28,627,789**	**(28,942,563)**	**(19,952,838)**	**(3,775,025)**	**(1,917,176)**	**(1,128,327)**	**(1,764,918)**	**(404,279)**	**-**
Financial assets									
Cash and cash equivalents	4,101,913	4,101,913	4,101,913	-	-	-	-	-	-
Placements with banks	1,758,512	1,775,951	1,643,896	33,955	22,637	55,029	9,381	11,053	-
Financial assets at fair value through profit and loss	11,122	11,122	5,561	-	-	-	-	-	5,561
Loans and advances to customers	16,667,200	24,577,829	4,965,378	2,366,374	6,183,408	3,395,898	2,179,820	5,486,951	-
Investment securities available for sale	8,936,455	10,581,380	7,575,196	182,746	213,486	1,070,025	658,889	795,205	85,833
Equity investments	73,956	73,956	-	-	-	-	-	-	73,956
Total financial assets	**31,549,158**	**41,122,151**	**18,291,944**	**2,583,075**	**6,419,531**	**4,520,952**	**2,848,090**	**6,293,209**	**165,350**
Maturity surplus / (shortfall)		**12,179,588**	**(1,660,894)**	**(1,191,950)**	**4,502,355**	**3,392,625**	**1,083,172**	**5,888,930**	**165,350**

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)*

c) Liquidity risk *(continued)*

In RON thousand	Book Value	Gross Value (inputs/ outputs)	Up to 3 months	3-6 months	6-12 months	1-3 years	3 – 5 years	Over 5 years	Without maturity
31 December 2012									
Financial liabilities									
Deposits from banks	45,953	(45,970)	(45,668)	(302)	-	-	-	-	-
Deposits from customers	23,232,922	(23,396,630)	(15,927,324)	(3,459,275)	(1,578,262)	(917,234)	(1,401,888)	(112,647)	-
Loans from banks and other financial institutions, other subordinated loans and debt securities issued	3,258,112	(3,327,866)	(1,770,651)	(96,070)	(404,644)	(902,958)	(117,212)	(36,331)	-
Total financial liabilities	**26,536,987**	**(26,770,466)**	**(17,743,643)**	**(3,555,647)**	**(1,982,906)**	**(1,820,192)**	**(1,519,100)**	**(148,978)**	**-**
Financial assets									
Cash and cash equivalents	5,576,290	5,576,290	5,576,290	-	-	-	-	-	
Placements with banks	1,383,114	1,403,038	1,307,796	1,207	3,273	65,762	12,900	12,100	-
Financial assets at fair value through profit and loss	39,179	39,179	19,589	-	-	-	-	-	19,590
Loans and advances to customers	15,457,481	22,893,001	4,241,449	2,619,552	5,727,059	3,042,062	1,847,547	5,415,332	-
Investment securities available for sale	6,529,701	7,473,091	5,711,200	142,911	185,922	736,245	436,946	196,824	63,043
Equity investments	74,053	74,053	-	-	-	-	-	-	74,053
Total financial assets	**29,059,818**	**37,458,652**	**16,856,324**	**2,763,670**	**5,916,254**	**3,844,069**	**2,297,393**	**5,624,256**	**156,686**
Maturity surplus / (shortfall)		**10,688,186**	**(887,319)**	**(791,977)**	**3,933,348**	**2,023,877**	**778,293**	**5,475,278**	**156,686**

3. Financial risk management *(continued)*

d) Market risk

Market risk represents the current or prospective risk to earnings and capital arising from adverse market movements in equities prices and interest rates, as well as from movements in foreign exchange rate and commodities prices for the whole business of the credit institution. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

d1) Interest rate Risk

Interest rate risk represents the actual or future risk of negative affecting of the profit and capital as a result of adverse changes in interest rates.

The main sources of the interest rate risk is the defective correlation between the maturity dates (for fixed interest rates) or price updating date (for variable interest rates) on assets and liabilities bearing interest, adverse evolution rate efficiency curve (unparalleled evolution of interest rates efficiency of interest bearing assets and liabilities). Interest-bearing asset and liabilities management activities are carried out in the context of the Bank's interest rate fluctuations. Generally, the Bank is more sensitive to the instruments in foreign currency, since assets recorded in foreign currency interest bearing have a longer duration even if interest adjusting is correlated with interest bearing liabilities recorded in foreign currencies.

The Bank is less affected by interest rate risk related to instruments in local currency, as the majority of assets and liabilities bearing variable interest or assimilated variable interest.

The Bank uses a mix of bearing fixed and variable interest instruments to control the mismatch between the dates on which the active and passive interest rates are set at the market rates or maturity dates between active and passive instruments.

Interest rate risk is managed by GAP monitoring (mismatch) regarding the interest rate, through a system of limits and indicators approved on categories (time intervals) of interest relocation.

Assets and Liabilities Management Committee is the body that monitors the compliance of these limits, being assisted in the daily monitoring of these limits by the Department of Treasury.

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:

In RON thousand	**Increase +200 bps**	**Decrease -200 bps**	**Increase +100 bps**	**Decrease -100 bps**
At 31 December 2013				
Average for the period	4,890	(4,890)	2,445	(2,445)
Minimum for the period	(17,513)	17,513	(8,757)	8,757
Maximum for the period	45,531	(45,531)	22,765	(22,765)
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)

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3. Financial risk management *(continued)*

d) Market risk *(continued)*

d1) Interest rate risk *(continued)*

For the sensitivity analysis of the 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 done: 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.

From the sensitivity analysis performed by the Bank, according to the methodology described above, was found that in the next years the interest rate changes impact on profit is limited. The most significant impact is recorded on 3-6 months category, which gives the Bank enough time to adjust to financial market conditions. The average for the period, shown in the table above, represents the average changing interest impact on Bank’s profits (according to the presented methodology in the previous paragraph), the minimal value shown, represents the potential impact on profit for the period / category interest change that arises on range 3-6 months, and the maximum, the potential impact on profit presented for the time / category modification of interest that arises on range 6-12 months.

The interest rates related to the local currency and the major foreign currencies as at 31 December 2013 and 2012 were as follows:

Currency	**Interest Rate**	**31 December 2013**	**31 December 2012**
Romanian Leu (RON)	Robor 3 months	2.44%	6.05%
Euro (EUR)	Euribor 3 months	0.2870%	0.187%
Euro (EUR)	Euribor 6 months	0.3890%	0.320%
US Dollar (USD)	Libor 6 months	0.3480%	0.40890%

3. Financial risk management *(continued)*

d) Market risk (continued)

d1) Interest rate risk (continued)

The table from below presents the interest rate margin for the portfolios of instruments bearing interest as at 31 December 2013:

In RON thousand	**Up to 6 months**	**6 – 12 months**	**1-3 years**	**3 – 5 years**	**Over 5 years**	**Unaffected**	**Total**
Assets							
Cash and cash equivalents	4,101,913	-	-	-	-	**-**	**4,101,913**
Placements with banks	1,677,444	18,042	46,702	6,330	9,994	**-**	**1,758,512**
Financial assets at fair value through profit and loss	11,122	-	-	-	-	**-**	**11,122**
Loans and advances to customers	10,536,598	4,586,792	398,622	370,963	62,666	711,559	**16,667,200**
Investment securities, available for sale	8,126,507	14,472	303,869	202,147	287,755	1,705	**8,936,455**
	24,453,584	**4,619,306**	**749,193**	**579,440**	**360,415**	**713,264**	**31,475,202**
Liabilities							
Deposits from banks	418,755	-	-	-	-	-	**418,755**
Deposits from customers	22,093,303	3,662,127	8,991	15,479	23,960		**25,803,860**
Loans from banks and other financial institutions, subordinated liabilities	2,405,174				-	-	**2,405,174**
	24,917,232	**3,662,127**	**8,991**	**15,479**	**23,960**	**-**	**28,627,789**
Net position	**(463,648)**	**957,179**	**740,202**	**563,961**	**336,455**	**713,264**	**2,847,413**

Notes to the separate financial statements

3. Financial risk management *(continued)*

d) Market risk (continued)

d1) Interest rate risk (continued)

The table from below presents the interest rate margin for the portfolios of instruments bearing interest as at 31 December 2012:

In RON thousand	**Up to 6 months**	**6 – 12 months**	**1-3 years**	**3 – 5 years**	**Over 5 years**	**Unaffected**	**Total**
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**
Liabilities							
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, subordinated liabilities	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**

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3. Financial risk management (continued)

d) Market Risk (continued)

d2) 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 2013 are presented below:

In RON thousand	**RON**	**EUR**	**USD**	**Other**	**Total**
Monetary assets					
Cash and cash equivalents	1,857,961	1,998,823	205,631	39,498	**4,101,913**
Placement with banks	867,145	727,684	85,769	77,914	**1,758,512**
Financial assets at fair value through profit and loss	11,122	-	-	-	**11,122**
Loans and advances to customers	11,342,002	5,083,679	241,519	-	**16,667,200**
Investment securities available for sale	6,177,646	2,358,752	400,057	-	**8,936,455**
Held-to-maturity investments	-	-	-	-	**-**
Equity investments	68,620	5,336	-	-	**73,956**
Other assets	135,606	7,189	1,958	-	**144,753**
Total monetary assets	**20,460,102**	**10,181,463**	**934,934**	**117,412**	**31,693,911**
Monetary liabilities					
Deposits from banks	380,285	38,099	309	62	**418,755**
Deposits from customers	16,392,325	8,387,295	913,294	110,946	**25,803,860**
Loans from banks and other financial institutions, other subordinated debts and bonds issued	779,765	1,347,932	277,477	-	**2,405,174**
Other liabilities	253,982	33,739	5,665	2,211	**295,597**
Total monetary liabilities	**17,806,357**	**9,807,065**	**1,196,745**	**113,219**	**28,923,386**
Net currency position	**2,653,745**	**374,398**	**(261,811)**	**4,193**	**2,770,525**

3. Financial risk management (continued)

d) Market risk (continued)

d2) Currency risk (continued)

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**
Financial assets available for sale	4,499,116	1,911,291	119,294	-	**6,529,701**
Held-to-maturity investments	-	-	-	-	**-**
Equity investments	68,717	5,336	-	-	**74,053**
Other assets	125,119	14,619	1,710	682	**142,130**
Total monetary assets	**18,426,132**	**9,835,492**	**838,206**	**102,118**	**29,201,948**
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 and subordinated liabilities	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	**2,398,383**	**(59,365)**	**6,602**	**7,449**	**2,353,069**

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.

The Romanian tax legislation provides for detailed and complex rules and has suffered various changes in the recent years. Interpretation of the text and practical implementation procedures of tax legislation could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Bank's treatment.

Furthermore, the recent conversion to IFRS of the Romanian banks raised additional tax implications that are not yet fully clarified in the legislation and might generate potential tax risks.

The Romanian Government has a number of agencies that are authorized to conduct audits of companies operating in Romania.

Notes to separate financial statement

3. Financial risk management (continued)

e) Taxation risk (continued)

These audits are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Bank will continue to be subject to regular controls as new laws and regulations are issued.

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.

f) Operating environment

In 2013, the economic environment has been challenging, although some improvements appeared compared to prior years. Gross domestic product growth accelerated to an estimated 3.5% (according to the Statistics National Institute), from 0.6% in 2012, sustained by strong external demand and a strong crop in agriculture. This would be the strongest growth rhythm since the onset of the economic crisis, in 2008.

Despite the better headline GDP figure, broad economic local activity has presented unequal results, with a persistence of the internal demand deficit, the increase being around the export segment.

Demand for loans remained weak, both on legal entities and individuals. Non-government loans decreased 4.1% as of November 2013, compared to November 2012, to RON 219.7 billion.

Income for banks has also been hurt by the squeeze in interest margins, as the National Bank of Romania embarked an easing cycle that saw the key interest rate decline from 5.25% to 4%. Banks responded by tightening cost management, with more staff lay-offs and more branches closed. These measures allowed the banking sector to turn a profit of RON 1.4 billion for the first nine months of 2013, versus a loss of RON 2.3 billion in 2012. (Source: National Bank of Romania)

The Management estimates also for 2014 a significant level of impairment adjustment of loans, with a tendency towards maintenance of the impairment expense recorded in 2013, with corresponding effects on the separate financial statements of the Bank.

Management believes it is taking all the necessary measures to support the 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 separate financial statement

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 than 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;
- risk mitigation, including insurance where applicable.

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.

3. Financial risk management (continued)

h) Capital management

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

- Tier I, which include subscribed and paid capital, premium share, eligible reserves of which are deducted: the value of intangible assets, 50% of the shares and other equity securities held in other credit and financial institutions exceeding 10% of their share capital, 50% of its holdings in insurance and reinsurance entities and prudential filters;
- Tier II, which include revaluation reserves and subordinated loan amount minus 50% of the shares and other equity securities held in other credit and financial institutions that exceed 10% of their share capital and 50% of its holdings in insurance and reinsurance entities.

At 31 December 2013 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.

The Bank's regulatory capital as at 31 December 2013 and 31 December 2012 computed based on the NBR Order nr. 26/ 2011 and the legal requirements regarding capital management at 31 December 2013 and 31 December 2012 were as follows:

In RON thousand	**31 December 2013**	**31 December 2012**
Tier I	2,606,495	2,157,156
Tier II	194,064	66,595
Total Bank's capital	**2,800,559**	**2,223,751**
Capital requirement for credit risk, counterparty risk, value adjustments for receivables and for incomplete transactions	1,135,527	1,097,299
Capital requirements for foreign exchange position and commodities	270,058	160,307
Capital requirements for operational risk	220,326	205,551
Total capital requirements	**1,625,911**	**1,463,157**

Note: The computation of the Bank's Own Funds contains the profit of the Bank for financial years ended 31 December 2013 and 31 December 2012. The regulatory capital computation as at 31 December 2013 and 31 December 2012 was done in accordance with International Financial Reporting Standards as adopted 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.

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 to RON 48,607 thousand higher or RON 45,417 thousand lower (31 December 2012: RON 34,623 thousand higher or RON 30,200 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.

Notes to the separate financial statements

4. Use of estimates and judgments (continued)

Fair value of financial instruments (continued)

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.

In case that interest rates on financial assets available for sale would differ by + / - 2% and the prices of financial assets at fair value through profit and loss would differ by + / - 10% from management's estimates, the carrying amount of financial assets at fair value in profit or loss account and financial assets available for sale would have an estimated value of RON 473,376 thousand lower than the fair value at 31 December 2013 of which RON 4,801 thousand in profit and loss account and RON 468,575 thousand in reserve account (with RON 197,187 thousand lower in 2012), or RON 696,017 thousand higher than fair value at 31 December 2013 of which RON 4,801 thousand in profit and loss account and RON 691,216 thousand in reserve account (with RON 414,647 thousand higher in 2012).

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 2013					
Financial assets at fair value through profit and loss	17	10,599	523	-	11,122
Investments securities, available for sale	19	210,320	8,724,430	1,705	8,936,455
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

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Notes to the separate financial statements

4. Use of estimates and judgments (continued)

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 2(j)(viii);
- 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* -is a client segment for which the Bank developed and provided personalized products, easy to access and which cover their business needs: loans, saving products, current account transactions.
- *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.
- *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.

  In 2013 the Bank reanalyzed the relevant reporting segments and included the Medical Division in the other reported segments. In the separate financial statements presented as at 31 December 2012 this was presented as a separate segment.

Below 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 2013, and comparative data with 2012.

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5. Segment reporting *(continued)*

Operating segments as at 31 December

In thousand RON	Corporate		SME		Individuals		Treasury		Other		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Gross loans	9,881,663	8,737,168	2,482,018	2,509,270	6,796,578	6,322,047	-	-	-	-	19,160,259	17,568,485
Provisions	(1,376,524)	(1,199,202)	(457,725)	(477,738)	(658,810)	(434,064)	-	-	-	-	(2,493,059)	(2,111,004)
Loans net of provisions	8,505,139	7,537,966	2,024,293	2,031,532	6,137,768	5,887,983	-	-	-	-	16,667,200	15,457,481
Securities and other treasury operations	-	-	-	-	-	-	9,039,912	6,647,204	-	-	9,039,912	6,647,204
Treasury and inter-bank operations	-	-	-	-	-	-	5,768,090	6,881,080	-	-	5,768,090	6,881,080
Tangible and intangible assets	38,832	61,435	9,242	16,622	28,023	47,996	67,608	110,321	228,249	133,722	371,954	370,096
Other assets	59,099	56,188	14,066	15,202	42,649	43,896	102,895	100,897	-	-	218,709	216,183
Total Assets	**8,603,070**	**7,655,589**	**2,047,601**	**2,063,356**	**6,208,440**	**5,979,875**	**14,978,505**	**13,739,502**	**228,249**	**133,722**	**32,065,865**	**29,572,044**
Deposits from customers	5,806,968	4,982,852	2,919,090	2,594,333	17,077,803	15,655,737	418,754	45,953	-	-	26,222,615	23,278,875
Loans from banks and other financial institutions	80,962	102,838	230,159	344,421	141,033	203,851	1,615,107	2,318,192	-	-	2,067,261	2,969,302
Subordinated liabilities	-	-	-	-	-	-	337,913	288,810	-	-	337,913	288,810
Other liabilities	74,007	66,880	39,584	39,704	216,428	199,541	25,563	33,995	-	-	355,582	340,120
Total Liabilities	**5,961,937**	**5,152,570**	**3,188,833**	**2,978,458**	**17,435,264**	**16,059,129**	**2,397,337**	**2,686,950**	**-**	**-**	**28,983,371**	**26,877,107**
Equity	-	-	-	-	-	-	-	-	3,082,494	2,694,937	3,082,494	2,694,937
Total Liabilities and Equity	**5,961,937**	**5,152,570**	**3,188,833**	**2,978,458**	**17,435,264**	**16,059,129**	**2,397,337**	**2,686,950**	**3,082,494**	**2,694,937**	**32,065,865**	**29,572,044**

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Notes to the separate financial statements

5. Segment reporting *(continued)*

Operating segments as at 31 December

In thousand RON	Corporate		SME		Individuals		Treasury		Other		TOTAL	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Net interest income	301,676	288,977	190,659	177,723	350,863	346,919	147,184	116,545	-	-	990,382	930,164
Net commission income	121,205	98,071	119,632	120,516	120,899	138,474	-	-	-	-	361,736	357,061
Net trading income	25,304	24,131	19,439	18,750	18,874	18,126	64,311	53,526	904	16,631	128,832	131,164
Net gain from sale of available for sale financial instruments	-	-	-	-	-	-	203,613	75,344	-	-	203,613	75,344
Contribution to the Banking Deposits Guarantee Fund	(13,812)	(11,996)	(7,191)	(6,355)	(43,395)	(35,694)	-	-	-	-	(64,398)	(54,045)
Other operational income	-	6	-	86	14,766	10,373	-	-	24,406	33,875	39,172	44,340
Total Income	**434,373**	**399,189**	**322,539**	**310,720**	**462,007**	**478,198**	**415,108**	**245,415**	**25,310**	**50,506**	**1,659,337**	**1,484,028**
Salaries and other assimilated expenses	(110,755)	(106,783)	(86,866)	(85,450)	(128,882)	(140,915)	(82,021)	(55,993)	(32,718)	(26,775)	(441,242)	(415,916)
Operational expenses	(50,480)	(52,998)	(39,555)	(42,418)	(58,612)	(69,978)	(43,670)	(33,399)	(91,136)	(70,537)	(283,453)	(269,330)
Publicity expenses	(1,637)	(2,531)	(1,965)	(4,701)	(8,732)	(5,168)	(981)	(1,067)	(402)	(669)	(13,717)	(14,136)
Depreciation	(7,227)	(8,124)	(5,666)	(6,503)	(8,401)	(10,732)	(5,365)	(4,265)	(30,121)	(16,798)	(56,780)	(46,422)
Other expenses	(3,437)	(5,839)	(2,690)	(4,678)	(3,994)	(7,750)	(2,532)	(3,045)	(1,006)	(1,519)	(13,659)	(22,831)
Total Expenses	**(173,536)**	**(176,275)**	**(136,742)**	**(143,750)**	**(208,621)**	**(234,543)**	**(134,569)**	**(97,769)**	**(155,383)**	**(116,298)**	**(808,851)**	**(768,635)**
Operational result before net impairment losses for assets, other contingencies and loan commitments	**260,837**	**222,914**	**185,797**	**166,970**	**253,386**	**243,655**	**280,539**	**147,646**	**(130,073)**	**(65,792)**	**850,486**	**715,393**

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

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 receiva-bles	Available for sale	Other amor-tized cost	Total carrying amount	Fair value
31 December 2013								
Financial Assets								
Cash and cash equivalents	15	-	-	-	-	4,101,913	4,101,913	4,101,913
Placements with banks	16	-	-	-	-	1,758,512	1,758,512	1,758,512
Financial assets at fair value through profit and loss	17	11,122	-	-	-	-	11,122	11,122
Loans and advances to customers	18	-	-	16,667,200	-	-	16,667,200	17,116,740
Investments securities, available for sale	19	-	-	-	8,936,455	-	8,936,455	8,936,455
Total financial assets		**11,122**	**-**	**16,667,200**	**8,936,455**	**5,860,425**	**31,475,202**	**31,924,742**
Financial Liabilities								
Deposits from banks	25	-	-	-	-	418,755	418,755	418,755
Deposits from customers	26	-	-	-	-	25,803,860	25,803,860	25,829,557
Loans from banks and other financial institutions	27	-	-	-	-	2,067,261	2,067,261	2,067,261
Subordinated liabilities	28	-	-	-	-	337,913	337,913	337,913
Total financial liabilities		**-**	**-**	**-**	**-**	**28,627,789**	**28,627,789**	**28,653,486**

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 (continued)

Accounting classifications and fair values

In RON thousand	Note	Financial assets at fair value through profit and loss	Held to maturity	Loans and receiv-ables	Available for sale	Other amor-tized 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	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 institu-tions	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**

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

7. Net interest income

In RON thousand	**2013**	**2012**
Interest income		
Loans and advances to customers *(i)*	1,443,201	1,493,386
Current accounts held with banks	28,816	36,823
Available for sale securities	357,918	411,171
Placements with banks	16,078	29,779
Total interest income	*1,846,013*	*1,971,159*
Interest expense		
Deposits from customers	797,422	916,706
Loans from banks and other financial institutions, bonds issued	53,323	113,305
Deposits from banks	4,886	10,984
Total interest expense	*855,631*	*1,040,995*
Net interest income	**990,382**	**930,164**

(i) Interest income from loans and advances to customers for the year ended at 31 December 2013 includes interest income related to impaired loans amounting to RON 206,234 thousand (2012: RON 147,960 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.

The impairment charge determined for the impaired loans is included in the interest income. The amount resulted from this effect is RON 132,565 thousand for the year 2013 (2012: RON 137,632 thousand) consisting in a decrease in the interest income and a decrease in the provision expense.

8. Net fee and commission income

In RON thousand	**2013**	**2012**
Fee and commission income		
Transactions	396,589	372,959
Loans management and guarantees issuance	38,537	47,079
Other fee and commission income	49	39
Total fee and commission income	*435,175*	*420,077*
Fee and commission expense		
Bank commissions	60,888	51,112
Transactions	11,853	11,654
Other fee and commission	698	250
Total fee and commission expense	*73,439*	*63,016*
Net fee and commission income	**361,736**	**357,061**

(i) In 2013, the Bank reclassified the loans management fees as interest income as they considered them as an integral part of the effective interest rate of a financial instrument.

Notes to the separate financial statements

9. Net trading income

In RON thousand	2013	2012
Net income from foreign exchange transactions *(i)*	141,123	118,002
Net income/ (expenses) from financial assets at fair value through profit and loss	8,733	17,265
Losses on equity instruments derivatives	(7,829)	-
Net income/ (expenses) from revaluation of assets and liabilities held in foreign currency	(13,195)	(4,103)
Net trading income	**128,832**	**131,164**

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

10. Net gain from sale of financial instruments available for sale

In RON thousand	2013	2012
Gain from sale of financial instruments available for sale	247,721	108,885
Losses from sale of financial instruments available for sale	(44,108)	(33,541)
Total	**203,613**	**75,344**

11. Other operating income

In RON thousand	2013	2012
Dividend income	508	664
Other operating income	38,664	43,676
Total	**39,172**	**44,340**

12. Net impairment loss on assets, other liabilities and loan commitments

In RON thousand	2013	2012
Net charge of impairment losses for assets *(i)*	406,452	370,511
Loans written-off	711	260
Other liabilities – employees' benefits and loan commitments	221	3,863
Net impairment losses for other assets, other liabilities and loan commitments	**407,384**	**374,634**

Notes to the separate financial statements

12. Net impairment loss on assets, other liabilities and loan commitments (continued)

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

In RON thousand	**Note**	**2013**	**2012**
Loans and advances to customers	18	386,511	369,662
Equity investments	20	19,098	-
Other assets	24	843	849
Net charge with impairment losses on assets		**406,452**	**370,511**

13. Personnel expenses

In RON thousand	**2013**	**2012**
Wages and salaries	306,050	295,927
Contribution to social security	62,973	61,555
Other personal expenses	40,214	32,777
Contribution to health fund	18,275	17,865
Contribution to unemployment fund	2,251	1,471
Provisions for other employee benefits	11,479	6,321
Total	**441,242**	**415,916**

The Bank's number of employees at 31 December 2013 was 6,041 (31 December 2012: 6,160).

The Bank`s average number of employees at 31 December 2013 was 6,107 (31 December 2012: 6,034 persons).
The average number of employees hired in 2013 and 2012 was as follows:

Category	**Average number of employees hired in 2013**	**Average number of employees hired in 2012**
Management	2	2
Operational	53	50
Total	**55**	**52**

The expenses related to share-based payments transactions with employees is included in the wages and salaries line and amounts to RON 21,098 thousand in 2013 (2012: RON 14,420 thousand). The Bank has distributed 15,446,531 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

13. Personnel expenses *(continued)*

2013

Shares granted in 2013: 15,446,531

Date	Number of shares	Vesting period	Conditions for vesting
Shares granted to the employees at 14 May 2013 and 17 May 2013	15,000,000	2 years and 11 months	Realization of performance targets and prudential indicators for 2013. Realization of Bank's objectives regarding the implementation of the new accounting and reporting standards.
Shares granted to the employees at 19 December 2013	446,531	3 years	Rewarding the employees with the best annual results, who consistently performed at high standards

2012

Shares granted in 2012: 14,000,000

Date	Number of shares	Vesting period	Conditions for vesting
Shares granted to the employees at 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 at 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

14. Other operating expenses

In RON thousand	**2013**	**2012**
Operating lease (rent)	87,206	90,186
Repairs and maintenance	64,294	51,266
Materials and consumables	25,033	26,357
Postage and telecommunications	20,540	26,486
Advertising, promotional and protocol expenses	16,044	16,207
Security and protection	20,283	20,325
Taxes	6,729	5,052
Electricity and heating	17,653	15,549
Travel and transport	6,224	6,106
Legal, advisory and consulting	6,028	3,634
Losses from sale of tangible assets	1,063	-
Other operational expenses	39,732	45,129
Total	**310,829**	**306,297**

Notes to the separate financial statements

15. Income tax expense

In RON thousand	2013	2012
Current tax expense at 16% (2012: 16%) of taxable profits determined in accordance with Romanian Law	43,876	15,646
Deferred tax expense/(income)	24,328	4,681
Total income tax expense	**68,204**	**20,327**

Tax reconciliation

In RON thousand	2013	2012
Profit Before tax	**443,102**	**340,759**
Taxation at statutory rate of 16% (2012: 16%)	70,896	54,521
Non-deductible expenses and non-taxable revenues and other permanent differences	(2,692)	(34,194)
Taxation in the income statement	**68,204**	**20,327**

Profit distribution for 2013 is as follows:

In RON thousand	
Profit Before tax	**443,102**
Income tax expense	68,204
Net Profit	**374,898**
Legal reserve (5% of gross profit)	22,155
Net profit to be allocated to reserves	**352,743**

16. Cash and cash equivalents

In RON thousand	31 December 2013	31 December 2012
Minimum compulsory reserve *(i)*	3,510,624	4,974,894
Cash on hand	540,462	519,554
Current accounts held with other banks *(ii)*	50,827	81,842
Total	**4,101,913**	**5,576,290**

(i) As at 31 December 2013, the minimum reserve requirement held with the National Bank of Romania was set at 15% for RON and 20% for balances denominated in USD or EUR (31 December 2012: 15% for RON and 20% for USD and EUR). Minimum reserve balance may vary from day to day. The interest paid by the National Bank of Romania for the reserves held by banks was 0.55% - 1.30% per year for the reserves in RON, 0.36% - 0.56% per year for reserves denominated in EUR and 0.14% - 0.50% per year for reserves denominated in USD. Mandatory reserve can be used by the Bank for daily activities as long as the average monthly balance is maintained within the limits required.

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

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. Placements with banks

In RON thousand	31 December 2013	31 December 2012
Sight and term deposits placed at other banks	868,755	1,237,227
Reverse repo type transactions *(i)*	724,348	67,562
Loans and advances to banks *(ii)*	165,409	78,325
Total	**1,758,512**	**1,383,114**

(i) Investment securities reclassified by the Bank during 2008 and 2010 from assets available for sale into loans and advances in amount of RON 92,335 thousand (see note 20).

(ii) As at 31 December 2013 reverse repurchase agreements transactions amounting to RON 724,348 thousand were concluded with commercial banks (31 December 2012: RON 67,562 thousand).

18. Financial assets at fair value through profit and loss

In RON thousand	31 December 2013	31 December 2012
Trading assets (quoted shares)	11,122	39,179
Total	**11,122**	**39,179**

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

19. Loans and advances to customers

The Bank's commercial lending is concentrated on companies and individuals domiciled in Romania Economic sector risk concentrations within the customer's loan portfolio as at 31 December 2013 were and 31 December 2012, was as follows:

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

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

In RON thousand	**31 December 2013**	**31 December 2012**
Individuals	6,796,766	6,325,313
Manufacturing	3,073,408	2,507,113
Trading	3,007,278	2,882,807
Construction	1,063,539	990,287
Services	1,050,276	941,908
Agriculture	874,323	729,524
Transport	723,518	702,256
Real estate	581,566	526,755
Free lancers	424,684	382,202
Chemical industry	316,776	315,305
Energy industry	315,645	322,277
Financial institutions	270,926	312,254
Mining industry	152,083	170,697
Telecommunication	82,853	125,484
Governmental bodies	28,597	31,030
Fishing industry	8,025	7,255
Others	389,996	296,018
Total loans and advances to customers before impairment allowance	**19,160,259**	**17,568,485**
Less allowances for impairment losses on loans	(2,493,059)	(2,111,004)
Total loans and advances to customers, net of impairment allowance	**16,667,200**	**15,457,481**

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Notes to the separate financial statements

19. 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	2013	2012
Balance at 1 January	2,111,004	1,659,352
Net impairment charge (Note 12)	386,511	369,662
Impairment allowance for written off loans (Note 3)	(145,625)	(63,404)
Effect of adjustment of interest income for impaired loans (Note 7)	132,565	137,632
FX gain/loss	8,604	7,762
Balance at 31 December	**2,493,059**	**2,111,004**

Adjustments for impairment identified individually

In RON thousand	2013	2012
Balance at 1 January	1,073,671	761,364
Net impairment charge	247,074	265,396
Impairment allowance for written off loans	(5,377)	(4,692)
Effect of adjustment of interest income for impaired loans	48,488	53,754
FX gain/loss	22,141	(2,151)
Balance at 31 December	**1,385,997**	**1,073,671**

Impairment adjustments identified in the active groups

In RON thousand	2013	2012
Balance at 1 January	1,037,333	897,988
Net impairment charge	139,437	104,266
Impairment allowance for written off loans	(140,248)	(58,712)
Effect of adjustment of interest income for impaired loans	84,077	83,878
FX gain/loss	(13,537)	9,913
Balance at 31 December	**1,107,062**	**1,037,333**

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Notes to the separate financial statements

20. Investment securities

In RON thousand	**31 December 2013**	**31 December 2012**
Investment securities available-for-sale		
Unlisted debt and other fixed income instruments:	***8,724,430***	***6,374,614***
Treasury securities issued by the Government of Romania (*i*)	6,905,103	5,540,477
- Discount certificates	*34,956*	*13,405*
- Coupon certificates	*32,757*	*30,635*
- Benchmark bonds (RON)	*5,904,251*	*4,305,860*
- Treasury bills with coupon (EUR)	*933,139*	*1,190,577*
Bonds in Euro issued by the Romanian Government on foreign markets	1,386,564	705,063
Bonds in USD issued by the Romanian Government on foreign markets	400,057	119,294
Bonds of which: *(ii)*	32,706	9,780
- *Bucharest municipality bonds*	*8,928*	*9,128*
- *Alba Iulia municipality bonds*	*597*	*652*
- *The Croatian Bank for Reconstruction and Development*	*23,181*	-
Unit funds	***172,835***	***153,407***
Certificates of participation (iii)	***37,485***	-
Equity investment valued at cost	***1,705***	***1,680***
Total investment securities available-for-sale	**8,936,455**	**6,529,701**

(i) At 31 December 2013, the amount of RON 28,450 thousand (December 2012: RON 28,450 thousand) representing the treasury certificates of the Bank is given as security for current operations (RoClear, SENT, MasterCard and Visa).

Treasury certificates issued by the Government of Romania have maturities between 2014 and 2027.

At 31 December 2013, the Bank entered into repo transactions with other financial institutions, having as support available for sale securities in amount of RON 1,615,107 thousand (31 December 2012: RON 1,721,650 thousand). At the end of 2013, the Bank had no other pledged available for sale financial instruments (31 December 2012: RON 466,819 thousand).

(ii) Alba Iulia municipal bonds carry a variable interest rate (Robid 6M + Robor 6M)/2 + 1.5% (31 December 2013: 4.5%; 31 December 2012: 6.5%). Bonds in Euro issued by Bucharest Municipality have a fixed interest rate of 4.125% and those issued by the Croatian Bank for Reconstruction and Development have a coupon of 6%.

(iii) In the third quarter, the Bank acquired a participation certificate issued by Raiffeisen Centrobank AG, based on SIF 2 Moldova shares. It was classified to available for sale financial instruments.

Gains realized on disposal of financial assets available for sale reclassified from other comprehensive income to profit or loss were RON 223,276 thousand (2012: RON 91,791 thousand) with the related tax RON 35,724 thousand (2012: RON 16,687 thousand).

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Notes to the separate financial statements

20. Investment securities *(continued)*

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 2012 was RON 78,324 thousand.

In 2013 the Bank also acquired and classified as loans and receivables, corporate bound issued by International Personal Finance and Turkiye Garanti Bankasi worth RON 17,235 thousand. Movement of investment securities classified in the category "Loans and advances" in 2013 is reflected in the table below:

In RON thousand	**For the year 2013**
Balance at 31 December 2012	**78.324**
Acquisitions 2013	17,235
Decreases 2013	(3,407)
Coupon for bonds	7,284
Coupon cashed during the year	(7,080)
Amortization of the difference between fair value and acquisition value	(21)
Balance 31 December 2013	**92,335**

The movement in investment securities may be summarized as follows:

In RON thousand	**Available for sale**	**Held to maturity**
At 1 January 2013	**6,529,701**	**-**
Additions (acquisitions and increase in value)	20,743,432	-
Disposals (sale, redemption and decrease in value)	18,336,678	-
At 31 December 2013	**8,936,455**	**-**
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**	**-**

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Notes to the separate financial statements

21. Equity investments

In RON thousand	31 December 2013	31 December 2012
Participations of which:		
- Gross participations	115,956	171,253
- Impairment allowance for impairment of participations	(42,000)	(97,200)
Total net participations	**73,956**	**74,053**

Changes in impairment allowance for participation:

In RON thousand	2013	2012
Balance as at 1 January	97,200	97,200
Derecognition of stake in BT Medical Leasing IFN SA	(74,298)	-
Impairment charge (Note 12)	19,098	-
Balance as at 31 December	**42,000**	**97,200**

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Notes to the separate financial statements

21. 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%	45,001	18,015	1,916
BT Securities S.A.	Cluj-Napoca, Bd. 21 Decembrie 1989 nr.104	98,68%	12,470	(560)	768
BT Direct IFN S.A.	Cluj-Napoca, str. G. Baritiu nr.1	100,00%	26,880	5,924	2,321
BT Building SRL	Cluj-Napoca, str. G. Baritiu nr.8	100,00%	448	7,521	936
BT Investments SRL	Cluj-Napoca, Bd. Eroilor nr.36	100,00%	50,940	7,545	376
BT Asset Management SAI SA	Cluj-Napoca, Bd. 21 Decembrie 1989 nr.104	80,00%	7,166	2,242	4,338
Compania de Factoring SRL	Bucuresti, Sos. Bucuresti-Ploiesti nr.43	100,00%	55,600	(56,178)	572
BT Solution Agent de Asigurare SRL	Cluj-Napoca, str. G. Baritiu nr.1	95,00%	0,20	67	47
BT Safe Agent de Asigurare	Cluj-Napoca, str. G. Baritiu nr.1	99,99%	77	15	209
BT Intermedieri Agent de Asigurare SRL	Cluj-Napoca, str. G. Baritiu nr.1	99,99%	507	101	663
BT Operational Leasing SA	Bucuresti, Sos. Bucuresti-Ploiesti nr.43	94,73%	3,494	(2,443)	346
BT Leasing Moldova SRL	Republica Moldova, Chisinau, str. A.Puskin nr.60	100,00%	5,082	(1,641)	769
BT Asiom Agent de Asigurare SRL	Cluj-Napoca, str. G. Baritiu nr.1	95,00%	0,20	34	36
Transilvania Imagistica SA	Bucuresti, Sos. Bucuresti-Ploiesti nr.43	82,31%	1,000	(1,098)	(610)
Improvement Credit Collection SRL	Bucuresti, Sos. Bucuresti-Ploiesti nr.43	100,00%	1	0	20

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

Notes to the separate financial statements

22. Property and equipment

In RON thousand	Land and buildings	Computers and equip-ment	Vehicles	Assets in progress	Total
Gross carrying amount					
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**
Balance at 1 January 2013	**306,656**	**224,708**	**28,808**	**29,977**	**590,149**
Additions	-	7,141	2,536	32,029	41,706
Transfers from investment in progress	33,131	16,610	1,223	-	50,964
Reevaluations	(1,384)	239	221	-	(924)
Disposals	(5,394)	(16,176)	(1,662)	(51,635)	(74,867)
Balance at 31 December 2013	**333,009**	**232,522**	**31,126**	**10,371**	**607,028**
Depreciation and impairment loss					
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)
Accumulated depreciation for revalua-tions	199	-	-	-	199
Balance at 31 December 2012	**128,777**	**149,446**	**21,920**	**-**	**300,143**
Balance at 1 January 2013	**128,777**	**149,446**	**21,920**	**-**	**300,143**
Charge for the year	10,391	24,347	3,708	-	38,446
Accumulated depreciation of disposals	(3,320)	(15,569)	(1,593)	-	(20,482)
Accumulated depreciation for revalua-tions	(125)	-	-	-	(125)
Balance at 31 December 2013	**135,723**	**158,224**	**24,035**	**-**	**317,982**
Carrying amount					
Balance at 1 January 2013	**177,879**	**75,262**	**6,888**	**29,977**	**290,006**
Balance at 31 December 2013	**197,286**	**74,298**	**7,091**	**10,371**	**289,046**

At 31 December 2013 the Bank had not included in property and equipment the cars acquired through financial leasing. At 31 December 2013, the Bank had no pledged property and equipment or intangible assets.

Property and equipment outstanding at 31 December 2013 were revalued by an independent valuer. If the assets had been recorded under the cost model, the carrying amount recognized would have been: land and buildings RON 165,977 thousand (2012: RON 144,255 thousand), computers and equipment RON 73,693 thousand (2012: RON 73,584 thousand), transportation RON 6,238 thousand (2012: RON 4,465 thousand).

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

23. Intangible assets

In RON thousand	Software	
	2013	**2012**
Gross carrying amount		
Balance at 1 January	**128,495**	**110,620**
Additions	20,947	18,044
Revaluation	205	-
Disposals	(14,362)	(169)
Balance at 31 December	**135,285**	**128,495**
Accumulated amortization		
Balance at 1 January	**48,405**	**41,484**
Charge for the year	18,334	7,089
Disposals	(14,362)	(168)
Balance at 31 December	**52,377**	**48,405**
Carrying amount		
Balance at 1 January	**80,090**	**69,136**
Balance at 31 December	**82,908**	**80,090**

24. Deferred tax assets and liabilities

In RON thousand	31 December 2013		
	Assets	**Liabilities**	**Net**
Loans and advances to customers	67,800	(297,648)	(229,848)
Investment securities, available-for-sale	-	(115,846)	(115,846)
Other assets	-	(29,213)	(29,213)
Total	**67,800**	**(442,707)**	**(374,907)**
Net temporary differences			(374,907)
Deferred tax liability at 16%			**59,985**

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Notes to the separate financial statements

24. Deferred tax assets and liabilities (continued)

In RON thousand	31 December 2012 Assets	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**

Movement of assets and liabilities from deferred tax

In RON thousand	31 December 2012	Inputs	Outputs	31 December 20123
Deferred tax assets				
Deferred tax assets for retained earnings from specific impairment provisions	(21,695)	-	10,847	(10,848)
Total	**(21,695)**	**-**	**10,847**	**(10,848)**
Deferred tax liabilities				
Differed tax liabilities for securities available for sale	16,360	15,455	13,280	18,535
Deferred tax liabilities for prudential filters	33,563	14,061	-	47,624
Deferred tax liabilities for intangible assets	-	33	-	33
Deferred tax liabilities for property and equipment	-	5,221	580	4,641
Total	**49,923**	**34,770**	**13,860**	**70,833**
Total deferred tax liabilities	**28,228**	**34,770**	**3,013**	**59,985**

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

25. Other assets

In RON thousand	**31 December 2013**	**31 December 2012**
Amounts under settlement	18,098	30,036
Assets repossessed (i)	41,423	39,713
Prepayments	17,769	18,129
Sundry debtors	30,931	29,044
Values received from collection	38,749	312
Income tax receivable	287	26,885
Other assets	619	291
Less impairment losses for other assets	(3,123)	(2,280)
Total	**144,753**	**142,130**

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

In RON thousand	**2013**	**2012**
Balance at 1 January	2,280	1,431
Net impairment allowance expense (Note 12)	843	849
Balance at 31 December	**3,123**	**2,280**

(i) Repossessed assets contains goods purchased and held for resale in the amount of RON 35,204 thousand with the following structure: buildings - RON 26,028 thousand, land - RON 8,271 thousand, equipment - RON 896 thousand and furniture – RON 9 thousand (2012: RON 33,428 thousand with the following structure: buildings – RON 24,781 thousand, land - RON 7,626 thousand, equipment – RON 1,010 thousand and furniture - RON 11 thousand).

26. Deposits from banks

In RON thousand	**31 December 2013**	**31 December 2012**
Sight deposits	254,249	1,617
Term deposits	164,506	44,336
Total	**418,755**	**45,953**

27. Deposits from customers

In RON thousand	**31 December 2013**	**31 December 2012**
Current accounts	5,048,554	3,663,733
Sight deposits	167,141	156,541
Term deposits	20,104,686	18,922,365
Collateral deposits	483,479	490,283
Total	**25,803,860**	**23,232,922**

Notes to the separate financial statements

27. Deposits from customers (continued)

Deposits from customers can be also analyzed as follows:

In RON thousand	31 December 2013	31 December 2012
Retail customers	17,077,672	15,655,353
Corporate customers	8,726,188	7,577,569
Total	**25,803,860**	**23,232,922**

28. Loans from banks and other financial institutions

In RON thousand	31 December 2013	31 December 2012
Loans from development banks (EBRD, IFC)	342,550	530,261
Other funds from financial institutions	1,724,711	2,439,041
Out of which: Repo type transactions with financial institutions	1,615,107	1,721,650
Total	**2,067,261**	**2,969,302**

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

	2013		2012	
	minimum	**Maximum**	**minimum**	**maximum**
EUR	0.22%	Euribor 6M+4.50 %	0.75%	Euribor 6M+4.50 %
LEI	1.40%	2.00%	5.25%	5.25%
USD	0.80%	Libor 6M + 4.50%	Libor 6M+0.51%	Libor 6M + 4.50%

29. Subordinated liabilities

In RON thousand	2013	2012
Loans from financial institutions	200,627	288,810
Convertible Bonds	137,286	-
Total	**337,913**	**288,810**

The subordinated debt is in amount of EUR 45 million, equivalent of RON 201,812 thousand (in 2012: EUR 60 million, equivalent of RON 287.866 thousand) representing 3 subordinate loans contracted as follows: EUR 15 million contracted in 2013, at EURIBOR 6M+6.2% due in 2018, EUR 25 million contracted in 2013, at EURIBOR 6M+6.2% due in 2023, 5 million EURO contracted in 2012, at EURIBOR 6M+6.50% due in 2018.

The Bank issued in 2013 convertible bonds worth EUR 30 million, equivalent to 134,541 thousand at EURIBOR 6M +6.25%, due in 2020. Unmatured bonds may be converted into shares at the option of bondholders.

Accrued interest on subordinated debt is in worth of RON 1,560 thousand (2012: RON 944 thousand)

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Notes to the separate financial statements

30. Other liabilities

In thousand of RON	**31 December 2013**	**31 December 2012**
Amounts under settlement	152,113	217,664
Other fees payable	46,879	21,821
Sundry creditors	18,380	14,590
Other liabilities	29,611	20,977
Provisions for risks and charges	48,614	36,840
Total	**295,597**	**311,892**

In thousand of RON	**2013**	**2012**
Provisions for credit commitments	10,314	10,020
Provisions for employee benefits as compensated absences	2.500	6,000
Provisions for other employee benefits	35.800	20,820
Total	**48,614**	**36,840**

31. Share capital

The statutory share capital of the Bank as of 31 December 2013 was represented by 2,206,436,324 ordinary shares of RON 1 each (31 December 2012: 1,903,042,413 shares of RON 1 each), the shareholders structure of the Bank is presented in Note 1.

The capital increase by incorporation of reserves from the statutory profit amounting to RON 303,393,911 was registered at the Trade Register in 2013.

In RON thousand	**31 December 2013**	**31 December 2012**
Share capital registered at Trade Register	2,206,436	1,903,042
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	**2,292,937**	**1,989,543**

32. Other reserves

As at 31 December 2013 and 31 December 2012 the reserves include the following:

In RON thousand	**31 December 2013**	**31 December 2012**
Revaluation reserves	28,997	38,125
Total	**28,997**	**38,125**
General banking risks *(i)*	77,893	77,893
Statutory reserve *(ii)*	156,132	133,977
Fair value gains taken to equity (net of tax) on available for sale investments	97,310	87,007
Total	**331,335**	**298,877**

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Notes to the separate financial statements

32. Other reserves (continued)

Statutory reserves

In RON thousand	**2013**	**2012**
At 1 January	133,977	116,939
Appropriations from profit	22,155	17,038
Total	**156,132**	**133,977**

(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.

33. Related parties transactions

Transactions with shareholders

During the year ended 31 December 2013, the following banking transactions were carried out with the shareholders:

In RON thousand	**2013**	**2012**
Assets		
Loans to shareholders granted by Banca Transilvania SA,	-	763
Liabilities		
Current accounts and deposits	32,383	114,422
Loans from financial institutions	274,945	438,032
Subordinated loans	-	106,662
Subordinate securities	111,314	-
Income statement		
Interest income and fees	68	156
Performance commission income	10	294
Interest, commission expense	23,287	36,501

Notes to the separate financial statements

33. Related parties transactions (continued)

Transactions with personnel

During the year ended 31 December 2013, the following banking transactions were carried out with key personnel:

In RON thousand	**2013**	**2012**
Assets		
Loans to key personnel granted by the Bank, related interest and provisions	89,473	96,992
Liabilities		
Current accounts at the Bank, deposits and accrued	57,777	50,584
Commitments to key personnel	7,157	6,570
Income statement		
Interest income and fees	4,751	4,695
Interest, commission expense	1,929	1,885

During 2013 the total salaries paid by the Bank to the Board of Directors' members and Executive Management amounted to RON 4,863 thousand (2012: RON 3,257 thousand).

34. 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 RON thousand	**31 December 2013**	**31 December 2012**
Guarantees issued	1,868,658	1,754,851
Loan commitments	3,062,883	2,464,906
Total	**4,931,541**	**4,219,757**

Commitments to customers were provisioned in the amount of RON 10,314 thousand (2012: RON 10,020 thousand).

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Notes to the separate financial statements

34. Commitments and contingencies (continued)

Expenses with future rent amounts to RON 217,724 thousand (2012: RON 295,723 thousand)

At 31 December 2013 outstanding currency transactions were:

Forward transactions

Transactions with retail clients:

Purchases	RON 275,059	equivalent	EUR 59,834

Transactions with banks

Purchases	RON 361,554,850	equivalent	EUR 80,950,000
Purchases	EUR 58,000,000	equivalent	RON 258,939,300
Sales	EUR 53,000,000	equivalent	USD 72,888,489

35. 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 2013 financial year.

Horia Ciorcila	George Calinescu
Chairman	*Deputy CEO*

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