

**BANCA TRANSILVANIA S.A.**

**Individual Financial Statements**

**30 June 2014**

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

**INTERIM REPORT**

# **Banca Transilvania S.A.**

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## **Individual statement of profit or loss and other comprehensive income**

*As at June 30, 2014*

	Note	30 June 2014 <i>RON thd</i>	30 June 2013 <i>RON thd</i>
Interest income		894.828	928.856
Interest expenses		-325.863	-470.736
<b>Net interest income</b>	4	<b>568.965</b>	<b>458.120</b>
Fee and commission income		230.743	199.264
Fee and commission expenses		-37.424	-31.910
<b>Net fee and commission income</b>	5	<b>193.319</b>	<b>167.354</b>
Net trading income	6	56.155	59.921
Net income from available-for-sale instruments	7	107.575	59.987
Deposit Guarantee Fund contribution		-36.554	-32.175
Other operating income	8	17.124	20.343
<b>Operating income</b>		<b>906.584</b>	<b>733.550</b>
Net impairment allowance on assets, other liabilities and loan commitments	9	-256.273	-141.033
Personnel expenses	10	-216.258	-200.442
Depreciation and amortization	19,20	-29.685	-27.514
Other operating expenses	11	-158.230	-155.146
<b>Operating expenses</b>		<b>-660.446</b>	<b>-524.135</b>
<b>Profit before income tax</b>		<b>246.138</b>	<b>209.415</b>
Income tax expense	12	-34.065	-29.230
<b>Profit for the period</b>		<b>212.073</b>	<b>180.185</b>
<b>Basic earnings per share</b>		<b>0,0957</b>	<b>0,0917</b>
<b>Diluted earnings per share</b>		<b>0,0957</b>	<b>0,0917</b>

## **Individual statement of profit or loss and other comprehensive income**

*As at June 30, 2014*

	Note	30 June 2014 <i>RON thd</i>	31 December 2013 <i>RON thd</i>
<b>Profit for the period</b>		<b>212.073</b>	<b>374.898</b>
<b>Items that will never be reclassified as profit or loss, net of tax</b>		<b>308</b>	<b>-5.568</b>
Increases/ decreases from revaluation of property and equipment, net of tax		-	-5.517
Other elements of comprehensive income		308	-51
<b>Items that or may be reclassified as profit or loss</b>			
Fair value reserve (available for sale financial assets) net of tax, out of which:		<b>142.685</b>	<b>10.303</b>
Net gain from sale of available for sale financial instruments transferred to profit and loss account		-103.604	-187.552
Fair value changes of available for sale financial instruments		246.289	197.855
<b>Total comprehensive income</b>		<b>355.066</b>	<b>379.633</b>

Ömer Tetik  
*CEO*

George Calinescu  
*Deputy CEO*

## Individual statement of financial position

*as at June 30, 2014*

	Note	30 June 2014 <i>RON thd</i>	31 December 2013 <i>RON thd</i>
<b>Assets</b>			
Cash and cash equivalents	13	3.986.259	4.101.913
Placements with banks	14	1.712.856	1.758.512
Financial assets at fair value through profit and loss	15	52.538	11.122
Loans and advances to customers	16	17.303.831	16.667.200
Investment securities, available for sale	17	10.193.181	8.936.455
Tangible assets	19	292.262	289.046
Intangible assets	20	76.158	82.908
Equity investments	18	74.856	73.956
Other assets	22	206.597	144.753
<b>Total assets</b>		<b>33.898.538</b>	<b>32.065.865</b>
<b>Liabilities</b>			
Deposits from banks	23	152.916	418.755
Deposits from customers	24	26.903.544	25.803.860
Loans from banks and other financial institutions	25	2.538.320	2.067.261
Subordinated liabilities	26	331.533	337.913
Liabilities related to tax on profit	21	92.500	59.985
Other liabilities	27	444.336	295.597
<b>Total liabilities</b>		<b>30.463.149</b>	<b>28.983.371</b>
<b>Equity</b>			
Share capital	28	2.645.680	2.292.937
Retained earnings		287.830	430.043
Own Shares		-	-818
Revaluation reserve	29	27.859	28.997
Other reserves	29	474.020	331.335
<b>Total equity</b>		<b>3.435.389</b>	<b>3.082.494</b>
<b>Total liabilities and equity</b>		<b>33.898.538</b>	<b>32.065.865</b>

Ömer Tetik  
CEO

George Calinescu  
Deputy CEO

## Banca Transilvania S.A.

### Individual statement of changes in equity

As at June 30, 2014

RON thd.

	Share capital	Share premiums	Own shares	Revaluation reserves	Other reserves	Retained earnings	Total
<b>Balance at December 31, 2013</b>	<b>2.292.937</b>	<b>-</b>	<b>-818</b>	<b>28.997</b>	<b>331.335</b>	<b>430.043</b>	<b>3.082.494</b>
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	-	-	212.073	<b>212.073</b>
<b>Other comprehensive income, net of income tax</b>							
Transfer from revaluation surplus to retained earnings	-	-	-	-1.138	-	1.138	-
Revaluation reserve for property and equipment, net of income tax	-	-	-	-	-	-	-
Fair value change gains (losses) from available-for-sale financial assets (net of deferred tax)	-	-	-	-	142.685	-	<b>142.685</b>
Other comprehensive income items	-	-	-	-	-	308	<b>308</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1.138</b>	<b>142.685</b>	<b>213.519</b>	<b>355.066</b>
<b>Contributions of the shareholders</b>							
Increase in share capital through conversion of reserves from the profit	352.743	-	-	-	-	-352.743	-
Acquisitions of own shares	-	-	-17.348	-	-	-	<b>-17.348</b>
Payments in shares	-	-	18.166	-	-	-2.989	<b>15.177</b>
<b>Total contributions of the shareholders</b>	<b>352.743</b>	<b>-</b>	<b>818</b>	<b>-</b>	<b>-</b>	<b>-355.732</b>	<b>-2.171</b>
<b>Balance as at June 30, 2014</b>	<b>2.645.680</b>	<b>-</b>	<b>-</b>	<b>27.859</b>	<b>474.020</b>	<b>287.830</b>	<b>3.435.389</b>

## Banca Transilvania S.A.

### Individual statement of changes in equity

For the year ended 31 December

In RON thd.

	Share capital	Share premiums	Own shares	Revaluation reserves	Other reserves	Retained earnings	Total
<b>Balance as at December 31, 2012</b>	<b>1.989.543</b>	<b>-</b>	<b>-7.752</b>	<b>38.125</b>	<b>298.877</b>	<b>376.144</b>	<b>2.694.937</b>
<b>Total comprehensive income for the period</b>							
Profit for the year	-	-	-	-	-	374.898	<b>374.898</b>
<b>Other comprehensive income, net of income tax</b>							
Transfer from revaluation surplus to retained earnings	-	-	-	-4.191	-	4.191	-
Revaluation reserve for property and equipment, net of income tax	-	-	-	-4.937	-	-580	<b>-5.517</b>
Fair value change gains (losses) from available-for-sale financial assets (net of deferred tax)	-	-	-	-	10.303	-	<b>10.303</b>
Other comprehensive income items	-	-	-	-	-	-51	<b>-51</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-9.128</b>	<b>10.303</b>	<b>378.458</b>	<b>379.633</b>
<b>Contributions of the shareholders</b>							
Increase in share capital through incorporation of reserves from the profit	303.394	-	-	-	-	-303.394	-
Acquisition of own shares	-	-	-13.233	-	-	-	<b>-13.233</b>
Distribution to statutory reserves	-	-	-	-	22.155	-22.155	-
Payments in shares	-	-	20.167	-	-	990	<b>21.157</b>
<b>Total contributions of the shareholders</b>	<b>303.394</b>	<b>-</b>	<b>6.934</b>	<b>-</b>	<b>22.155</b>	<b>-324.559</b>	<b>7.924</b>
<b>Balance as at December 31, 2013</b>	<b>2.292.937</b>	<b>-</b>	<b>-818</b>	<b>28.997</b>	<b>331.335</b>	<b>430.043</b>	<b>3.082.494</b>

# Banca Transilvania S.A.

## Individual statement of cash flows

As at June 30, 2014

<i>In RON thd.</i>	Note	30 June 2014	30 June 2013
<b>Cash flow from/ (used in) operating activities</b>			
Profit for the period		<b>212.073</b>	<b>180.185</b>
<b>Adjustments for:</b>			
Depreciation and amortization	19,20	29.685	27.514
Impairments allowance and write-offs of financial assets, other liabilities and loan commitments	9	256.273	141.033
Fair value adjustment of financial assets at fair value through profit and loss		4.163	1.693
Income tax expense	12	34.065	29.230
Other adjustments		30.159	-67.641
<b>Net profit adjusted with non-monetary elements</b>		<b>566.418</b>	<b>312.014</b>
<b>Changes in operating assets and liabilities</b>			
Change in investment securities		-1.089.636	-1.206.329
Change in deposits and placements to banks		-95.833	-39.712
Change in loans and advances to customers		-964.255	-131.564
Change in financial assets at fair value through profit and loss		-45.579	-28
Change in other assets		-74.642	-85.008
Change in deposits from banks		-265.714	195.879
Change in deposits from clients		1.139.890	955.653
Change in other liabilities		173.073	105.453
Income tax collected / paid		-40.094	-13.256
<b>Net cash from/ (used in) operating activities</b>		<b>-696.372</b>	<b>93.102</b>
<b>Cash flow from / (used in) investment activities</b>			
Net acquisitions of property and equipment and intangible assets		-25.087	-28.604
Acquisition of participations		-900	-
Dividends collected	8	159	141
<b>Net cash flow from/(used in) investment activities</b>		<b>-25.828</b>	<b>-28.463</b>
<b>Cash flow from /(used in) financing activities</b>			
Net proceeds/(payments) from loans from banks and other financial institutions subordinated liabilities and debt securities issued		482.116	-879.269
Payments for treasury shares		-17.348	-11.755
<b>Net cash flow from/ (used in) financing activities</b>		<b>464.768</b>	<b>-891.024</b>



## Banca Transilvania S.A.

### Individual statement of cash flows (continued)

*As at June 30, 2014*

<i>In RON thd.</i>	<b>30 June 2014</b>	<b>30 June 2013</b>
Net increase/decrease in cash and cash equivalents	- 257.432	-826.385
Cash and cash equivalents at 1 January	5.726.957	6.879.478
<b>Cash and cash equivalents at end of period</b>	<b>5.469.525</b>	<b>6.053.093</b>

#### *Reconciliation of cash and cash equivalents with the individual statement of financial position*

<i>In RON thd.</i>	<b>Note</b>	<b>30 June 2014</b>	<b>30 June 2013</b>
Cash and cash equivalents	13	3.986.259	4.800.518
Placements with banks, less than 3 months maturity		1.484.034	1.256.312
Less accrued interest		-768	-3.737
<b>Cash and cash equivalents in the cash flow statement</b>		<b>5.469.525</b>	<b>6.053.093</b>

#### *Cash flows from operating activities include*

<i>In RON thd.</i>	<b>30 June 2014</b>	<b>30 June 2013</b>
Interest collected	913.217	938.768
Interest paid	366.549	450.687

# Banca Transilvania S.A.

## Notes to the individual financial statements

### 1. Reporting entity and basis of presentation

#### a) Reporting entity

Banca Transilvania S.A. was incorporated in Romania in 1993 and is licensed by the National Bank of Romania to conduct banking activities. The Bank started its activity in 1994 and its main operations involve banking services for corporate and individuals. The Bank carries its activity through its business office in Cluj-Napoca and 61 branches, 436 agencies and 33 bank units, 11 medical divisions and 1 regional center located in Bucharest (2013: 61 branches, 445 agencies, 31 bank units, 10 Healthcare Division units and 1 regional center located in Bucharest) throughout the country. The Bank accepts deposits and grants loans, carries out funds transfers in Romania and abroad, exchanges currencies and provides banking services for its corporate and retail customers.

The Bank's number of employees as at June 30, 2014 was 6,134 (31 December 2013: 6,041).

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:

	<b>30 June 2014</b>	<b>31 December 2013</b>
European Bank for Reconstruction and Development ("EBRD")	14,61%	14,61%
Romanian individuals	18,54%	19,56%
Romanian companies	32,55%	24,64%
Foreign individuals	2,16%	2,33%
Foreign companies	32,14%	38,86%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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

#### b) Statement of compliance

The individual 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 reporting date, 30 June 2014 .

#### c) Basis of evaluation

The consolidated financial statements of the Bank are prepared on a fair value basis: assets and liabilities held at fair value through profit and loss and available-for-sale instruments, except for those for which a reliable measure of fair value is not available.

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

In these individual financial statements, the Bank's investments in subsidiaries and affiliated entities are stated at cost, according to IAS 27 „Consolidated and Individual financial statements”.

# **Banca Transilvania S.A.**

## **Notes to the individual financial statements**

### **d) Functional and presentation currency**

The individual 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 estimations and judgements**

The preparation of individual financial statements according to IFRS, as endorsed by the European Union, implies the use by the bank’s management of certain estimations and judgements which affect the application of accounting policies, as well as the reporting of assets, liabilities, income and expenses.

The methods and significant accounting policies have been consistently applied by the Bank throughout the presented periods within these individual financial statements.

## **2. Methods and significant accounting policies**

### **a) Foreign currency transactions**

#### ***i) Foreign currency transactions***

Transactions in foreign currencies are booked in RON at the official exchange rate at the dates of transaction settlement. Monetary assets and liabilities denominated in foreign currencies at the date of the individual statement of financial position are retranslated to the functional currency at the exchange rate at that date. The gains and losses related to the settlement and translations of these balances using the exchange rate at the end of the financial year are recognized in the income statement, except for the ones recorded in equity as a result of applying 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 to the functional currency at the exchange rate valid at the date when the fair value is determined.

Conversion differences are recognised in profit or loss.

#### ***ii) Translation of foreign currency operations***

The result and financial position of foreign operations carried out in a functional currency different from the currency of the Bank are translated into the functional currency as follows:

- assets and liabilities, both monetary and non-monetary, of this entity have been translated at the closing rate at the date of the financial individual statement;
- income and expenses items of these operations have been translated at the average exchange rate of the period, as an estimated for the exchange rates from the dates of the transactions; and
- all resulting exchange differences have been classified as equity until the disposal of the investment.

# Banca Transilvania S.A.

## Notes to the individual financial statements

### 2. Methods and significant accounting policies (continued)

#### a) Foreign currency transactions (continued)

##### ii) Translation of foreign currency operations (continued)

The exchange rates of major foreign currencies were:

Currency	30 June 2014	31 December 2013	Fluctuation %
Euro (EUR)	1: LEU 4,3870	1: LEU 4,4847	0,98%
American Dollar (USD)	1: LEU 3,2138	1: LEU 3,2551	0,99%

#### b) Accounting method for the effect of hyperinflation

According to IAS 29 and IAS 21, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, should be stated in terms of measuring the currency purchasing power at the date of the individual statement of financial position i.e. non-monetary items are restated using a general price index from the date of acquisition or contribution.

#### 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.

Fair value changes of derivative instruments held for risk coverage and other financial assets and liabilities at fair value are presented in the net trading income resulted from other financial instruments 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 on the net carrying value of the asset.

#### d) Fee and commission income

Fees and commissions resulted from financial services offered by the Bank: loan granting, commitment fees, card fees, cash management services, brokerage services, investment advice and financial planning, investment banking services, and asset management services.

Fee and commission directly attributable to the financial asset or liability origination (both income and expense) are included in the measurement of the effective interest rate. Loan commitment fees that are likely to be drawn down, are amortized together with the related direct costs, and are recognized as an adjustment to the effective interest rate of the loan.

Other fee and commission income arising from financial services delivered by the Bank, including investment management, brokerage and account services fees, is recognized in the income statement as service when provided. Other fees and commission expenses refer mainly to trading fees and services which are recognized in the income statement at the moment when the services are performed.

## **Notes to the individual financial statements**

### **2. Methods and significant accounting policies (continued)**

#### **e) Net trading income**

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

#### **f) Net gains and losses from the sale of financial instruments available for sale**

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

#### **g) Dividends**

Dividend income is recognized in the income statement when the right to receive such income is established.

#### **h) Lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the leasing contract.

#### **i) Income tax**

Income tax for the year comprises current and deferred tax. Income tax is recognized in the income statement or in the statement of equity if it relates to equity elements.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates applicable at the balance sheet date, and any adjustment to tax payable in respect of prior periods.

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 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, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The tax rate used to calculate the current and deferred tax position at June 30, 2014 is 16% (31 December 2013: 16%).

## **Notes to the individual financial statements**

### **2. Methods and significant accounting policies (*continued*)**

#### **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 sub-categories: financial assets or financial liabilities held for trading, and financial instruments designated at fair value through profit or loss at initial recognition. A financial instrument is classified in this category if acquired mainly for the purpose of sale or if it was designated by management in this category. 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 shares and derivative instruments.

*Loans and receivables* are 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 future, those that the Bank, upon initial recognition, designates 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, for reasons other than credit deterioration. Loans and receivables 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 held for trading 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.

##### **(iii) *Derecognition***

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Bank transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which all the risks and benefits of ownership of the financial asset are substantially transferred.

Any interest in transferred financial assets that is created for or retained by the Bank is recognized as a separate asset or liability.

##### **(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 as profit and loss arising from a group of similar transactions such as in the Bank's trading activity.

## **Notes to the individual financial statements**

### **2. Methods and significant accounting policies (*continued*)**

#### **j) Financial assets and liabilities (*continued*)**

##### **(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 rate method for any difference between the initial amount recognized and the maturity amount, less any reduction for impairment.

##### **(vi) *Fair value measurement***

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, on the most advantageous market to which the Bank has access at the date. The fair value of a liability reflects its non-performance risk

When available, the Bank measures the fair value of an instrument using the quoted price on an active market for that instrument. If there is no quoted price on 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 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.

The Bank recognizes transfers between different levels of fair value at the end of the reporting period similarly with the period during which the change has occurred.

##### **(vii) *Identification and measurement of impairment***

At each balance sheet date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets or a group of financial assets are impaired and impairment losses occur when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset (“loss generating event”), and that the loss event has an impact on the future cash flows on the asset or group of assets, that can be estimated reliably.

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 current variable interest rate, specified in the contract.

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

## **Notes to the individual financial statements**

### **2. Methods and significant accounting policies (*continued*)**

#### **j) Financial assets and liabilities (*continued*)**

##### ***Loans and advances to customers***

The Bank, based on its internal impairment assessment methodology included observable data on the following loss events, as objective evidence that loans and advances to customers or groups of customers 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 delay in interest or principal payments (individually and in the same group of borrowers);
- (c) the lender, due to economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise consider, such as rescheduling the interest or principal payments;
- (d) there is indicative information that the borrower will enter bankruptcy or other financial reorganization;
- (e) credible information indicating a measurable decrease in the estimated future cash flows of a group of financial assets from the date of the initial recognition, regardless of the fact that the decrease cannot be identified for each asset, including:
  - unfavourable change in the payment behaviour of the Bank's debtors, or
  - national or local economic circumstances that can be correlated to the loss / depreciation of the Bank's assets.

##### ***Available for sale financial assets***

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

##### ***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.

#### ***(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:

- it 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 a fair value basis according to the risk management documentation / investment strategy; or



## **Banca Transilvania S.A.**

- they are hybrid contracts through which an entity can reflect the entire contract at fair value through profit or loss.

### **k) Cash and cash equivalents**

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

### **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 for short-term profit or position taking.

### **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 individual statement of the financial position.

### **n) Loans and advances**

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

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

### **o) Investment securities**

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

#### ***(i) Held to maturity***

Held-to-maturity investments are carried at amortized cost using the effective interest method.

#### ***(ii) Fair value through profit and loss***

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

#### ***(iii) Available for sale***

Debt securities such as treasury bills issued by the Government of Romania are classified as available-for-sale assets.

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 the fair value. Where no reliable estimate of fair value is available, equity investments are stated at restated cost less impairment.

## **Notes to the individual financial statements**

### **2. Methods and significant accounting policies (*continued*)**

#### **p) Property and equipment**

##### **(i) *Recognition and measurement***

Items of property and equipment are stated at revalued amount less accumulated depreciation value and impairment losses. Capital expenditure on property and equipment 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 and equipment the cost of replacing part of such an item when that cost is incurred or, if it is probable that the future economic benefits embodied with the item will be transferred to the Bank, the cost of the item can also be measured reliably. All other costs are recognized in the income statement as an expense when incurred.

##### **(iii) *Depreciation***

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

The estimated useful lives 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 assets are initially measured 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 economic benefits exceeding production costs beyond one year, are recognized as intangible assets.

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

#### **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.

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.

## **Notes to the individual financial statements**

### **2. Methods and significant accounting policies (*continued*)**

#### **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 method.

#### **u) Debt securities issued and loans from banks and other financial institutions**

Loans from banks and other financial institutions and debt securities issued are recognized initially at fair value as collections from such instruments (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.

#### **v) Provisions**

Provisions are recognised in the individual statement of financial position when the Bank incurs an obligation as a result of a past event, and it is probable that an outflow of economic resources may be required to settle the obligation and the value of such obligation can be reasonably estimated.

#### **x) Financial guarantees**

Financial guarantees are contracts by which the Bank undertakes to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

#### **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 relevant contributions are recognized as an expense in the income statement when incurred. The Bank does not have any further obligations.

##### **(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, so 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.

#### **w) Treasury shares**

Own equity instruments required (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 capital instruments.

## Banca Transilvania S.A.

### Notes to the individual financial statements

#### 3. Financial assets and liabilities

##### *Accounting classifications and fair values*

<i>In RON thd.</i>	Note	Financial assets at fair value through profit and loss	Loans and receivables	Available for sale	Amortized cost	Total accounting value	Fair value
<b>30 June 2014</b>							
<b>Financial assets</b>							
Cash and cash equivalents	13	-	-	-	3.986.259	3.986.259	3.986.259
Placements with banks	14	-	-	-	1.712.856	1.712.856	1.712.856
Financial assets at fair value through profit and loss	15	52.538	-	-	-	52.538	52.538
Loans and advances to customers	16	-	17.303.831	-	-	17.303.831	17.531.516
Investments securities	17	-	-	10.193.181	-	10.193.181	10.193.181
<b>Total financial assets</b>		<b>52.538</b>	<b>17.303.831</b>	<b>10.193.181</b>	<b>5.699.115</b>	<b>33.248.665</b>	<b>33.476.350</b>
<b>Financial Liabilities</b>							
Deposits from banks	23	-	-	-	152.916	152.916	152.916
Deposits from customers	24	-	-	-	26.903.544	26.903.544	26.910.757
Loans from banks and other financial institutions	25	-	-	-	2.538.320	2.538.320	2.538.320
Other subordinated loans	26	-	-	-	331.533	331.533	331.533
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>29.926.313</b>	<b>29.926.313</b>	<b>29.933.526</b>

# Banca Transilvania S.A.

## Notes to the individual financial statements

### 3. Financial assets and liabilities (continued)

#### *Accounting classifications and fair values*

<i>In RON thd.</i>	Note	Financial assets at fair value through profit and loss	Loans and receivables	Available for sale	Amortized cost	Total accounting value	Fair value
<b>31 December 2013</b>							
<b>Financial assets</b>							
Cash and cash equivalents	13	-	-	-	4.101.913	4.101.913	4.101.913
Placements with banks	14	-	-	-	1.758.512	1.758.512	1.758.512
Financial assets at fair value through profit and loss	15	11.122	-	-	-	11.122	11.122
Loans and advances to customers	16	-	16.667.200	-	-	16.667.200	17.116.740
Investments securities	17	-	-	8.936.455	-	8.936.455	8.936.455
<b>Total financial assets</b>		<b>11.122</b>	<b>16.667.200</b>	<b>8.936.455</b>	<b>5.860.425</b>	<b>31.475.202</b>	<b>31.924.742</b>
<b>Financial Liabilities</b>							
Deposits from banks	23	-	-	-	418.755	418.755	418.755
Deposits from customers	24	-	-	-	25.803.860	25.803.860	25.829.557
Loans from banks and other financial institutions	25	-	-	-	2.067.261	2.067.261	2.067.261
Other subordinated loans	26	-	-	-	337.913	337.913	337.913
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>28.627.789</b>	<b>28.627.789</b>	<b>28.653.486</b>

## Notes to the individual financial statements

### 4. Net interest income

<i>In RON thd.</i>	<b>30 June 2014</b>	<b>30 June 2013</b>
<b>Interest income</b>		
Loans and advances to customers	708.859	725.750
Current accounts held with banks	9.217	15.533
Held-for-trading securities	169.972	174.771
Placements with banks	6.780	12.802
<i>Total interest income</i>	<u>894.828</u>	<u>928.856</u>
<b>Interest expense</b>		
Deposits from customers	301.319	440.120
Loans from banks and other financial institutions and issued bonds	21.840	28.120
Deposits from banks	2.704	2.496
<i>Total interest expense</i>	<u>325.863</u>	<u>470.736</u>
<b>Net interest income</b>	<u><b>568.965</b></u>	<u><b>458.120</b></u>

### 5. Net fee and commission income

<i>In RON thd.</i>	<b>30 June 2014</b>	<b>30 June 2013</b>
<b>Fee and commission income</b>		
Transactions	211.567	181.880
Loans management and guarantees issuance	19.155	17.374
Other fee and commission income	21	10
<i>Total fee and commission income</i>	<u>230.743</u>	<u>199.264</u>
<b>Fee and commission expense</b>		
Bank commissions	32.869	26.423
Transactions	4.278	5.330
Other fee and commission expense	277	157
<i>Total fee and commission expense</i>	<u>37.424</u>	<u>31.910</u>
<b>Net fee and commission income</b>	<u><b>193.319</b></u>	<u><b>167.354</b></u>

## **Notes to the individual financial statements**

### **6. Net trading income**

*In RON thd.*

	<b>30 June 2014</b>	<b>30 June 2013</b>
Net income from foreign exchange transactions	57.753	75.352
Net income/expense from financial assets held for trading	-4.416	7.527
Losses on equity instruments derivatives	-	-7.905
Net income/ (expenses) from revaluation of assets and liabilities held in foreign currency	2.818	-15.053
<b>Net trading income</b>	<b>56.155</b>	<b>59.921</b>

### **7. Net gain from sale of financial instruments available for sale**

*In RON thd.*

	<b>30 June 2014</b>	<b>30 June 2013</b>
Gain from sale of financial instrument available for sale	150.127	81.474
Losses from sale of financial instrument available for sale	-42.552	-21.487
<b>Total</b>	<b>107.575</b>	<b>59.987</b>

### **8. Other operating income**

*In RON thd.*

	<b>30 June 2014</b>	<b>30 June 2013</b>
Dividend income	159	141
Other operating income	16.965	20.202
<b>Total</b>	<b>17.124</b>	<b>20.343</b>

## Notes to the individual financial statements

### 9. Net impairment losses on assets, other liabilities and credit commitments

<i>In RON thd.</i>	<b>30 June 2014</b>	<b>30 June 2013</b>
Net charge of impairment losses on financial assets (i)	253.201	141.000
Losses from off-balance receivables	30	620
Other liabilities – credit commitments	3.042	-587
<b>Net impairment losses on financial assets and credit commitments</b>	<b>256.273</b>	<b>141.033</b>

(i) The net charge with impairment losses on assets contains the following:

<i>In RON thd.</i>	<b>Note</b>	<b>30 June 2014</b>	<b>30 June 2013</b>
Loans and advances to customers	16	253.268	140.979
Other assets	22	-67	21
<b>Net charge with impairment losses on assets</b>		<b>253.201</b>	<b>141.000</b>

### 10. Personnel expenses

<i>In RON thd.</i>	<b>30 June 2014</b>	<b>30 June 2013</b>
Wages and salaries	152.458	141.177
Contribution to social security	32.643	31.110
Bonuses for employees, of which:		
- performance shares granted	15.197	18.263
- cash	11.408	8.428
Other taxes related to personnel	9.950	9.088
Contribution to health fund	9.447	9.033
Contribution to unemployment fund	1.154	1.119
Release provisions for employee benefits	-33.015	-24.776
Provisions for employee benefits	17.016	7.000
<b>Total</b>	<b>216.258</b>	<b>200.442</b>

The Bank has distributed 10.553.469 shares to the employees and administrators, with a maximum vesting period 28.02.2017.

Banca Transilvania's number of employees as at June 30, 2014 was 6.134 (31 December 2013: 6.041 persons).



## **Notes to the individual financial statements**

### **11. Other operating expenses**

*In RON thd.*

	<b>30 June 2014</b>	<b>30 June 2013</b>
Rents	42.605	43.878
Repairs and maintenance	29.310	32.061
Materials and consumables	13.942	12.555
Postage and telecommunication	10.598	9.979
Advertising and promotional expenses	12.232	7.678
Security and protection	10.673	9.818
Taxes	3.582	3.289
Electricity and heating	8.203	9.564
Travel and transportation	3.412	2.986
Legal, advisory and consulting	2.430	3.866
Loss on sale of property and equipment	-	680
Other operating expense	21.243	18.792
<b>Total</b>	<b>158.230</b>	<b>155.146</b>

### **12. Income tax expense**

*In RON thd.*

	<b>30 June 2014</b>	<b>30 June 2013</b>
Current tax expense at 16% ( 2013: 16%) of taxable profits determined in accordance with Romanian Law	28.728	15.457
Deferred tax expense /(income)	5.337	13.773
<b>Total income tax expense</b>	<b>34.065</b>	<b>29.230</b>

#### ***Tax reconciliation***

*In RON thd.*

	<b>30 June 2014</b>	<b>30 June 2013</b>
Gross profit	246.138	209.415
Taxation at statutory rate of 16% (2013: 16%)	39.382	33.506
Non-deductible expenses and non-taxable revenues and other permanent differences	-5.317	-4.276
<b>Profit (loss) tax expense</b>	<b>34.065</b>	<b>29.230</b>

## **Notes to the individual financial statements**

### **13. Cash and cash equivalents**

<i>In RON thd.</i>	<b>30 June 2014</b>	<b>31 December 2013</b>
Minimum required reserve	3.445.961	3.510.624
Cash at hand	473.165	540.462
Current accounts held with other banks	67.133	50.827
<b>Total</b>	<b>3.986.259</b>	<b>4.101.913</b>

### **14. Placements with banks**

<i>In RON thd.</i>	<b>30 June 2014</b>	<b>31 December 2013</b>
Sight and term deposits placed at other banks	1.142.730	868.755
Reverse repo transactions	344.303	724.348
Loans and advances to banks	225.823	165.409
<b>Total</b>	<b>1.712.856</b>	<b>1.758.512</b>

### **15. Financial assets at fair value through profit and loss**

<i>In RON thd.</i>	<b>30 June 2014</b>	<b>31 December 2013</b>
Trading assets (quoted shares)	52.538	11.122
<b>Total</b>	<b>52.538</b>	<b>11.122</b>

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

## Notes to the individual financial statements

### 16. 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 loan portfolio as at June 30, 2014 as at 31 December 2013, was the following:

<i>In RON thd.</i>	<b>30 June 2014</b>	<b>31 December 2013</b>
Individuals	7.011.138	6.796.766
Trading	3.098.937	3.007.278
Manufacturing	3.023.933	3.073.408
Construction	1.206.213	1.063.539
Agriculture	1.005.243	874.323
Services	951.405	1.050.276
Transport	725.064	723.518
Real estate	589.912	581.566
Self employed individuals	453.069	424.684
Energy industry	394.539	315.645
Chemical industry	313.234	316.776
Financial Institutions	299.706	270.926
Mining industry	178.211	152.083
Telecommunication	80.027	82.853
Governmental bodies	20.594	28.597
Fishing	7.907	8.025
Other	414.239	389.996
<b>Total loans and advances to customers before provisions</b>	<b>19.773.371</b>	<b>19.160.259</b>
Less provisions for impairment losses on loans	-2.469.540	-2.493.059
<b>Total loans and advances to customers, net of provisions</b>	<b>17.303.831</b>	<b>16.667.200</b>

The movement in provisions for impairment losses on loans and advances to customers granted was as follows:

<i>In RON thd.</i>	<b>30 June 2014</b>	<b>31 December 2013</b>
<b>Balance at 1 January</b>	2.493.059	2.111.004
Net impairment provision expense (Note 9)	253.268	386.511
Provisions for off-balance loans	-324.427	-145.625
Adjustment of the interest income for depreciated loans	67.658	132.565
Net expenses from foreign exchange	-20.018	8.604
<b>Balance at end of period</b>	<b>2.469.540</b>	<b>2.493.059</b>

he decrease of Adjustments of the interest income for depreciated loans is triggered by the measures implemented by the Bank following classifications received from the NBR regarding treatment of exposures fully covered by adjustments for depreciations and for which recovery perspectives are low.

## Notes to the individual financial statements

### 17. Investment securities

	31 June 2014	31 December 2013
<i>In RON thd.</i>		
<b>Investment securities available-for-sale</b>		
<i>Unlisted debt and other fixed income instruments:</i>	<b>9.937.264</b>	<b>8.724.430</b>
Treasury securities issued by the Government of Romania, of which (i):	8.042.582	6.905.103
- discount securities	49.515	34.956
- coupon securities	32.315	32.757
- Benchmark securities (LEI)	7.222.400	5.904.251
- treasury securities with coupon (EUR)	738.352	933.139
Eurobonds issued by the Romanian Government	1.223.175	1.386.564
Bonds in USD issued by the Romanian Government	661.082	400.057
Bonds, of which (ii):	10.425	32.706
- municipal bonds issued by Bucharest town hall	-	8.928
- municipal bonds issued by Alba Iulia town hall	570	597
- issued by The Croatian Bank for Reconstruction and Development	-	23.181
<i>Fund units</i>	<b>219.557</b>	<b>172.835</b>
<i>Certificates of participation(iii)</i>	<b>34.655</b>	<b>37.485</b>
<i>Equity instruments evaluated at cost</i>	<b>1.705</b>	<b>1.705</b>
<b>Total investment securities available-for-sale</b>	<b>10.193.181</b>	<b>8.936.455</b>

### 18. Investment securities

	30 June 2014	31 December 2013
<i>In RON thd.</i>		
Equity investments, of which:		
- Gross equity investments	116.856	115.956
- Provision for equity investment depreciation	-42.000	-42.000
<b>Total net investments</b>	<b>74.856</b>	<b>73.956</b>

- The effect of the change in provisions for the depreciation of the Bank's equity investments was the following:

	30 June 2014	31 December 2013
<i>In RON thd.</i>		
<b>Balance at 1 January</b>	42.000	97.200
Derecognition investment in BT Medical Leasing IFN SA	-	-74.298
Provision	-	19.098
<b>Balance at June 30</b>	<b>42.000</b>	<b>42.000</b>

## Notes to the individual financial statements

### 19. Property and equipment

<i>RON thd.</i>	Land and buildings	Computers and equipment	Vehicles	Assets in progress	Total
<b>Gross carrying amount</b>					
<b>Balance at January 1, 2013</b>	<b>306.656</b>	<b>224.708</b>	<b>28.808</b>	<b>29.977</b>	<b>590.149</b>
Acquisitions	0	7.141	2.536	32.029	41.706
Transfers from ongoing investments	33.131	16.610	1.223	-	50.964
Revaluation	-1.384	239	221	-	-924
Outputs	-5.394	-16.176	-1.662	-51.635	-74.867
<b>Balance at December 31, 2013</b>	<b>333.009</b>	<b>232.522</b>	<b>31.126</b>	<b>10.371</b>	<b>607.028</b>
<b>Balance at January 1, 2014</b>	<b>333.009</b>	<b>232.522</b>	<b>31.126</b>	<b>10.371</b>	<b>607.028</b>
Acquisitions	1.940	5.339	221	14.731	22.231
Transfers from ongoing investments	8.717	9.601	-	-	18.318
Outputs	-1.520	-2.442	-1.031	-18.335	-23.328
<b>Balance at June 30, 2014</b>	<b>342.146</b>	<b>245.020</b>	<b>30.316</b>	<b>6.767</b>	<b>624.249</b>
<b>Amortization and depreciation</b>					
<b>Balance at January 1, 2013</b>	<b>128.777</b>	<b>149.446</b>	<b>21.920</b>	<b>-</b>	<b>300.143</b>
Expense of the year	10.391	24.347	3.708	-	38.446
Accumulated depreciation of disposals	-3.320	-15.569	-1.593	-	-20.482
Revaluation	-125	-	-	-	-125
<b>Balance at December 31, 2013</b>	<b>135.723</b>	<b>158.224</b>	<b>24.035</b>	<b>-</b>	<b>317.982</b>
<b>Balance at January 1, 2014</b>	<b>135.723</b>	<b>158.224</b>	<b>24.035</b>	<b>-</b>	<b>317.982</b>
Expense of the year	5.371	11.857	1.602	-	18.830
Accumulated depreciation of disposals	-1.520	-2.327	-978	-	-4.825
<b>Balance at 30.06.2014</b>	<b>139.574</b>	<b>167.754</b>	<b>24.659</b>	<b>-</b>	<b>331.987</b>
<b>Net carrying amount</b>					
<b>at January 1, 2014</b>	<b>197.286</b>	<b>74.298</b>	<b>7.091</b>	<b>10.371</b>	<b>289.046</b>
<b>at June 30, 2014</b>	<b>202.572</b>	<b>77.266</b>	<b>5.657</b>	<b>6.767</b>	<b>292.262</b>

As at 30 June 2014, the Bank did not include in the tangible assets cars acquired through financial leasing.

## Notes to the individual financial statements

### 20. Intangible assets

*In RON thd.*

#### IT applications

	30 June 2014	31 December 2013
<b>Gross carrying amount</b>		
<b>Balance as at 1 January</b>	<b>135.285</b>	<b>128.495</b>
Inputs	10.475	20.947
Transfers from ongoing investments	-	205
Outputs	-6.370	-14.362
<b>Balance as at 30 June</b>	<b>139.390</b>	<b>135.285</b>
<b>Accumulated amortization</b>		
<b>Balance as at 1 January</b>	<b>52.377</b>	<b>48.405</b>
Expenses of the year	10.855	18.334
Outputs	-	-14.362
<b>Balance as at 30 June</b>	<b>63.232</b>	<b>52.377</b>
<b>Net carrying amount</b>		
<b>as at 1 January</b>	<b>82.908</b>	<b>80.090</b>
<b>as at 30 June</b>	<b>76.158</b>	<b>82.908</b>

### 21. Deferred tax assets and liabilities

*In RON thd.*

	Asset	30 June 2014 Liability	Net
Loans and advances to customers	33.900	-315.390	-281.490
Investment securities, available-for-sale	-	-285.709	-285.709
Provisions	17.016	-	17.016
Other assets	-	-27.939	-27.939
<b>Total</b>	<b>50.916</b>	<b>-629.038</b>	<b>-578.122</b>
Net temporary differences			-578.122
<b>Deferred tax liability 16%</b>			<b>92.500</b>

## Notes to the individual financial statements

### 21. Deferred tax assets and liabilities (continued)

*In RON thd.*

	31 December 2013		
	Asset	Liability	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
<b>Total</b>	<b>67.800</b>	<b>-442.707</b>	<b>-374.907</b>
Net temporary differences			-374.907
<b>Deferred tax liability 16%</b>			<b>59.985</b>

### 22. Other assets

*In RON thd.*

	30 June 2014	31 December 2013
Amounts under settlement	31.933	18.098
Inventories and related	38.540	41.423
Prepayments	54.010	17.769
Sundry debtors	28.235	30.931
Values received from collection	56.126	38.749
VAT and profit tax receivables	286	287
Other assets	523	619
Provision for other assets	-3.056	-3.123
<b>Total</b>	<b>206.597</b>	<b>144.753</b>

The movement in provisions for impairment loss on other assets for the period was as follows:

*In RON thd.*

	30 June 2014	31 December 2013
<b>Balance as at January 1</b>	3.123	2.280
Net provision expense	-67	843
<b>Balance at the end of the period</b>	<b>3.056</b>	<b>3.123</b>

### 23. Deposits from banks

*In RON thd.*

	30 June 2014	31 December 2013
Sight deposits	47.011	254.249
Term deposits	105.905	164.506
<b>Total</b>	<b>152.916</b>	<b>418.755</b>

## Notes to the individual financial statements

### 24. Deposits from customers

*In RON thd.*

	<b>30 June 2014</b>	<b>31 December 2013</b>
Current accounts	5.419.353	5.048.554
Sight deposits	155.330	167.141
Term deposits	20.883.602	20.104.686
Collateral deposits	445.259	483.479
<b>Total</b>	<b>26.903.544</b>	<b>25.803.860</b>

Deposits from customers can be also analysed as follows:

*In RON thd.*

	<b>30 June 2014</b>	<b>31 December 2013</b>
Retail customers	17.228.995	17.077.672
Corporate customers	9.674.549	8.726.188
<b>Total</b>	<b>26.903.544</b>	<b>25.803.860</b>

### 25. Loans from banks and other financial institutions

*In RON thd.*

	<b>30 June 2014</b>	<b>31 December 2013</b>
Loans from development banks	350.455	342.550
Other funds from financial institutions	2.187.865	1.724.711
Of which: Repo transactions with financial institutions	2.086.831	1.615.107
<b>Total</b>	<b>2.538.320</b>	<b>2.067.261</b>

### 26. Subordinated liabilities

*In RON thd.*

	<b>30 June 2014</b>	<b>31 December 2013</b>
Subordinated borrowings	200.172	200.627
Convertible securities	131.361	137.286
<b>Total</b>	<b>331.533</b>	<b>337.913</b>



## Notes to the individual financial statements

### 27. Other liabilities

*In RON thd.*

	<b>30 June 2014</b>	<b>31 December 2013</b>
Amounts under settlement	312.223	152.113
Other taxes payable	34.433	46.879
Sundry creditors	14.077	18.380
Other liabilities	48.109	29.611
Provisions	35.494	48.614
<b>Total</b>	<b>444.336</b>	<b>295.597</b>

	<b>30 June 2014</b>	<b>31 December 2013</b>
<i>In RON thd.</i>		
Provisions for credit commitments	13.193	10.314
Provisions for employee benefits as compensated absences	1.276	2.500
Provisions for other employee benefits	21.025	35.800
<b>Total provisions</b>	<b>35.494</b>	<b>48.614</b>

### 28. Share capital

The statutory share capital of the Bank as of June 30, 2014 was represented by 2.559.179.315 ordinary shares of RON 1 each (31 December 2013: 2.206.436.324 shares of RON 1 each). The ownership structure of the Bank is presented in Note 1.

### 29. Other reserves

As at June 30, 2014 and December 31, 2013 the reserves include the following:

	<b>30 June 2014</b>	<b>31 December 2013</b>
<i>In RON thd.</i>		
Revaluation reserves	27.859	28.997
<b>Total</b>	<b>27.859</b>	<b>28.997</b>
General banking risks	77.893	77.893
Statutory reserve	156.132	156.132
Fair value losses taken to equity (net of tax) on available for sale investments	239.995	97.310
<b>Total</b>	<b>474.020</b>	<b>331.335</b>

## **Notes to the individual financial statements**

### **30. Related party transactions**

#### **Transactions with shareholders**

During H1 2014, the following banking transactions were carried out with the shareholders:

<i>In RON thd.</i>	<b>30 June 2014</b>	<b>31 December 2013</b>
<b>Assets</b>		
Loans to shareholders granted by Banca Transilvania SA.	-	-
<b>Liabilities</b>		
Current accounts, deposits, related	39.477	32.383
Loans from financial institutions	296.958	274.945
Subordinated loans	-	-
Subordinated bonds	108.967	111.314
<b>Income statement</b>		
Interest income	9	68
Performance commission income	-	10
Interest, commission expense	10.938	23.287

#### **Transactions with key management personnel**

During H1 2014, the following banking transactions were carried out with key personnel:

<i>In RON thd.</i>	<b>30 June 2014</b>	<b>31 December 2013</b>
<b>Assets</b>		
Loans to key personnel granted by Banca Transilvania SA, related interest and provisions	75.789	89.473
<b>Liabilities</b>		
Current accounts at Banca Transilvania SA, deposits and accrued	56.223	57.777
<b>Commitments to key personnel</b>	6.584	7.157
<b>Income statement</b>		
Interest, commission income	2.924	4.751
Interest, commission expense	697	1.929

## **Notes to the individual financial statements**

### **31. Commitments and contingencies**

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

<i>In RON thd.</i>	<b>30 June 2014</b>	<b>31 December 2013</b>
Guarantees issued	2.104.726	1.868.658
Loan commitments	3.212.512	3.062.883
<b>Total</b>	<b>5.317.238</b>	<b>4.931.541</b>

For commitments in favour of clients the Bank allocated provisions in amount of RON 13.193 thd. (2013: RON 10.314 thd.).

### **32. Earnings per share**

#### **Basic earnings per share**

The calculation of basic earnings per share (basic and diluted) was based on net profit attributable to ordinary shareholders of RON 212.073 thd. (at June 30, 2013: RON 180.185 thd.) and the weighted average number of the ordinary shares outstanding during the year calculated as follows:

	<b>30 June 2014</b>	<b>30 June 2013</b>
Ordinary shares issued at 1 January	2.206.436.324	1.903.042.413
Effect of shares issued until 30 June	7.795.425	61.585.077
Weighted average number of shares as at 30 June	2.214.231.749	1.964.627.490

### **33. Capital management**

For 30 June 2014, the calculation of the own funds has been made based on the Regulation no. 575/2013 issued by the European Parliament and the Regulation of the European Council from 26 June 2013 regarding the prudential requirements for credit institutions and investment companies and the modifications of EU Regulation no. 648/2012 and the provisions of NBR Regulation no. 5/20.12.2013 regarding the prudential requirements for credit institutions.

According to the legal requirements in force, the Bank's own funds include:

- Tier 1 capital, which mainly include the share capital subscribed and paid in, share premium reserves, eligible after deduction of: intangible assets, treasury shares and prudential filters;
- Tier 2 capital, which include the eligible value of subordinated borrowings.

## **Notes to the individual financial statements**

### **33. Capital management (continued)**

Starting 2014 the Bank applied EU Regulation 575/2013 for computing the minimal capital requirements and adopted:

- The standard approach regarding credit risk based on EU Regulation 575/2013,
- The standard approach based on EU Regulation 575/2013 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 EU Regulation 575/2013

The Group's regulatory capital and the legal requirements regarding capital management at 30 June 2014 and 31 December 2013 were as follows:

<i>In RON thd.</i>	<b>30 June 2014</b>	<b>31 December 2013</b>
Tier I	2.498.969	2.606.495
Tier II	318.809	194.064
<b>Total Banks' capital</b>	<b>2.817.778</b>	<b>2.800.559</b>
Capital requirement for credit risk, counterparty risk, value adjustments for receivables and for incomplete transactions	1.193.802	1.135.527
Capital requirements for foreign exchange position and commodities	285.137	270.058
Capital requirements for operational risk	233.115	220.326
<b>Total capital requirements</b>	<b>1.712.054</b>	<b>1.625.911</b>

*Note: The computation of the Bank's Own Funds does not contain the profit of the Bank as at 30 June 2014 but it includes the profit for the financial years ended 31 December 2013*

### **34. Subsequent events after the date of the individual 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 first semester of 2014 financial year.

Ömer Tetik  
CEO

George Calinescu  
Deputy CEO