

Banca Transilvania S.A.

**CONDENSED CONSOLIDATED AND INDIVIDUAL INTERIM
FINANCIAL STATEMENTS**

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

As at 30 June 2017

Banca Transilvania S.A.

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Banca Transilvania S.A.

Consolidated and Individual Statement of Profit or Loss and Other Comprehensive Income

For the 6-month period ended 30 June

	Note	Group		Bank	
		2017 RON thousand	2016 RON thousand	2017 RON thousand	2016 RON thousand
Interest income		1,026,473	1,027,789	989,286	1,001,276
Interest expense		(103,479)	(145,949)	(103,005)	(143,583)
Net interest income	5	922,994	881,840	886,281	857,693
Fee and commission income		348,814	307,311	330,900	294,840
Fee and commission expense		(53,852)	(48,838)	(57,034)	(51,893)
Net fee and commission income	6	294,962	258,473	273,866	242,947
Net trading income	7	120,345	79,743	102,756	80,675
Net gain/(loss) from sale of available-for-sale financial instruments	8	(19,850)	269,758	(20,863)	269,498
Contribution to the Banking Deposits Guarantee Fund and the Bank Resolution Fund	9	(49,696)	(72,792)	(49,696)	(72,792)
Other operating income	10	82,045	61,953	70,321	37,180
Operating income		1,350,800	1,478,975	1,262,665	1,415,201
Net impairment allowance on assets, provisions for other risks and loan commitments	11	(59,333)	(317,923)	(57,487)	(325,216)
Personnel expenses	12	(359,629)	(318,079)	(338,187)	(304,816)
Depreciation and amortization	21	(56,990)	(45,153)	(41,235)	(35,680)
Other operating expenses	13	(269,506)	(232,730)	(243,288)	(211,191)
Operating expenses		(745,458)	(913,885)	(680,197)	(876,903)
Profit before income tax		605,342	565,090	582,468	538,298
Income tax charge	14	(92,614)	(84,019)	(86,411)	(80,042)
Profit for the year		512,728	481,071	496,057	458,256
Profit for the year attributable to:					
Equity holders of the Bank		511,246	479,716	-	-
Non-controlling interests		1,482	1,355	-	-
Profit for the year		512,728	481,071	496,057	458,256
Basic earnings per share		0.1187	0.1105		
Diluted earnings per share		0.1185	0.1104		

Banca Transilvania S.A.

Consolidated and Individual Statement of Profit or Loss and Other Comprehensive Income *(continued)*

For the 6-month period ended 30 June

	Note	Group		Bank	
		2017	2016	2017	2016
		RON thousand	RON thousand	RON thousand	RON thousand
Profit for the year		512,728	481,071	496,057	458,256
Items that cannot be reclassified as profit or loss, net of tax					
Other elements of comprehensive income		(163)	(81)	(45)	7
Items which are or may be reclassified as profit or loss					
Fair value reserve (available-for-sale financial assets), out of which:					
Net gain/(loss) from the sale of available-for-sale financial instruments transferred to profit and loss account		19,850	(269,758)	20,863	(269,498)
Fair value changes of available-for-sale financial instruments		115,092	169,484	138,317	162,289
Income tax directly booked into other elements of comprehensive income		(21,566)	16,057	(25,462)	17,152
Total comprehensive income		625,941	396,773	629,730	368,206
Total comprehensive income attributable to:					
Equity holders of the Bank		624,459	395,418	-	-
Non-controlling interest		1,482	1,355	-	-
Total comprehensive income		625,941	396,773	629,730	368,206

Ömer Tetik
CEO

George Călinescu
Deputy CEO

Banca Transilvania S.A.

Consolidated and Individual Statement of Financial Position

	Note	Group		Bank	
		30-06-2017	31-12-2016	30-06-2017	31-12-2016
		RON thousand	RON thousand	RON thousand	RON thousand
Assets					
Cash and cash equivalents at the National Bank	15	4,546,050	5,293,660	4,546,025	5,293,635
Placements with banks	16	4,004,187	2,785,505	3,943,625	2,746,582
Financial assets at fair value through profit and loss	17	212,756	163,520	77,753	59,890
Loans and advances to customers	18	28,080,307	26,710,402	28,741,718	27,209,976
Net finance lease investments	19	643,055	523,643	-	-
Investment securities, available-for-sale, <i>out of which:</i>	20	14,573,123	14,993,828	14,726,846	15,120,524
- <i>Securities sold under sale and repurchase agreements</i>		655,106	1,488,289	655,106	1,488,289
Investment securities, held-to-maturity		-	20,691	-	-
Equity investments		-	-	136,671	136,671
Tangible assets and real estate investments	21	623,316	558,734	404,473	370,305
Intangible assets	21	104,764	86,600	96,853	78,396
Goodwill	21	2,774	2,774	-	-
Current tax assets		51,156	119,103	53,204	125,055
Deferred tax assets	22	268,734	378,716	262,067	373,940
Other financial assets	23	161,570	194,151	159,627	170,153
Other non-financial assets	24	125,828	112,897	87,950	84,474
Total assets		53,397,620	51,944,224	53,236,812	51,769,601
Liabilities					
Deposits from banks	25	181,001	247,268	181,001	247,268
Deposits from customers	26	43,351,733	41,681,475	43,530,459	41,851,773
Loans from banks and other financial institutions	27	1,469,386	2,304,911	1,425,146	2,246,461
Other subordinated liabilities	28	412,462	424,111	412,462	424,111
Provisions for other risks and for loan commitments	29	511,055	514,582	504,400	506,955
Other financial liabilities	30	768,725	469,975	735,560	441,158
Other non-financial liabilities	31	122,363	111,869	65,434	67,787
Total liabilities excluding financial liabilities to holders of fund units		46,816,725	45,754,191	46,854,462	45,785,513
Financial liabilities to holders of fund units		44,509	37,326	-	-
Total liabilities		46,861,234	45,791,517	46,854,462	45,785,513
Equity					
Share capital	32	3,732,549	3,732,549	3,732,549	3,732,549
Treasury shares		(57,461)	(29,993)	(44,014)	(16,546)
Capital premiums		28,374	28,374	28,374	28,374
Retained earnings		2,257,705	1,954,073	2,072,338	1,779,244
Revaluation reserve		25,123	26,227	26,112	27,188
Reserves from available-for-sale assets	33	104,567	(8,791)	144,502	10,790
Other reserves		432,506	432,061	422,489	422,489
Total equity attributable to equity holders of the Bank		6,523,363	6,134,500	6,382,350	5,984,088
Non-controlling interest		13,023	18,207	-	-
Total equity		6,536,386	6,152,707	6,382,350	5,984,088
Total liabilities and equity		53,397,620	51,944,224	53,236,812	51,769,601

Ömer Tetik
CEO

George Călinescu
Deputy CEO

Banca Transilvania S.A.

Consolidated statement of changes in Equity

For the 6-month period ended 30 June 2017

Group

Attributable to the equity holders of the Bank

In RON thousand

Note	Share capital	Treasury shares	Share premium	Revaluation reserves	Reserves for financial assets available-for-sale	Other reserves	Retained earnings	Total Attributable to the bank's shareholders	Non-controlling interest	Total
Balance as at 1 January 2017	3,732,549	(29,993)	28,374	26,227	(8,791)	432,061	1,954,073	6,134,500	18,207	6,152,707
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	511,246	511,246	1,482	512,728
Other comprehensive income, net of income tax										
Fair value gains (losses) from available-for-sale financial assets (net of deferred tax)	-	-	-	-	113,358	-	-	113,358	-	113,358
Retained earnings from revaluation reserves	-	-	-	(1,104)	-	-	1,104	-	-	-
Distribution to statutory reserves	-	-	-	-	-	445	(445)	-	-	-
Other elements of comprehensive income	-	-	-	-	-	-	(145)	(145)	-	(145)
Total comprehensive income	-	-	-	(1,104)	113,358	445	511,760	624,459	1,482	625,941
Contributions of/distributions to the shareholders										
Acquisition of treasury shares	-	(27,468)	-	-	-	-	-	(27,468)	-	(27,468)
Recognition of employee benefits in the form of equity instruments	-	-	-	-	-	-	15,000	15,000	-	15,000
Dividends to be distributed to shareholders	-	-	-	-	-	-	(219,000)	(219,000)	(6,165)	(225,165)
Other	-	-	-	-	-	-	(4,128)	(4,128)	(501)	(4,629)
Total contributions of/distributions to the shareholders	-	(27,468)	-	-	-	-	(208,128)	(235,596)	(6,666)	(242,262)
Balance as at 30 June 2017	3,732,549	(57,461)	28,374	25,123	104,567	432,506	2,257,705	6,523,363	13,023	6,536,386

The explanatory notes to the financial statements pages 10 to 57 are an integral part of these financial statements.

Banca Transilvania S.A.

Consolidated statement of changes in Equity

As at 31 December 2016

Group	Note	Attributable to the equity holders of the Bank									Total	
		Share capital	Treasury shares	Share premium	Revaluation reserves	Reserves for financial assets available-for-sale	Other reserves	Retained earnings	Total Attributable to the bank's shareholders	Non-controlling interest		
<i>In RON thousand</i>												
Balance as at 1 January 2016		3,112,505	(11,806)	28,316	26,470	175,511	380,588	2,523,109	6,234,693	6,120	6,240,813	
Total comprehensive income												
Profit for the year		-	-	-	-	-	-	1,272,422	1,272,422	4,591	1,277,013	
Other comprehensive income, net of income tax												
Fair value gains (losses) from available-for-sale financial assets (net of deferred tax)		-	-	-	-	(184,302)	-	-	(184,302)	-	(184,302)	
Revaluation of property and equipment, net of income tax		-	-	-	1,498	-	-	-	1,498	-	1,498	
Retained earnings from revaluation reserves		-	-	-	(1,741)	-	-	1,741	-	-	-	
Distribution to statutory reserves		-	-	-	-	-	51,473	(51,473)	-	-	-	
Other elements of comprehensive income		-	-	-	-	-	-	231	231	-	231	
Total comprehensive income		-	-	-	(243)	(184,302)	51,473	1,222,921	1,089,849	4,591	1,094,440	
Contributions of/distributions to the shareholders												
Increase in share capital through the conversion of profit reserves		620,000	-	-	-	-	-	(620,000)	-	-	-	
Increase in share capital through the conversion of subordinated debt into shares		44	-	58	-	-	-	-	102	-	102	
Acquisition of treasury shares		-	(16,546)	-	-	-	-	-	(16,546)	-	(16,546)	
Recognition of employee benefits in the form of equity instruments		-	-	-	-	-	-	30,000	30,000	-	30,000	
Bonus shares from investments in subsidiaries		-	(1,641)	-	-	-	-	-	(1,641)	-	(1,641)	
Dividends distributed to shareholders		-	-	-	-	-	-	(1,200,000)	(1,200,000)	-	(1,200,000)	
Other (Entry into consolidation corrections retained earnings, percentage change funds)		-	-	-	-	-	-	(1,957)	(1,957)	7,496	5,539	
Total contributions of/distributions to the shareholders		620,044	(18,187)	58	-	-	-	(1,791,957)	(1,190,042)	7,496	(1,182,546)	
Balance at 31 December 2016		3,732,549	(29,993)	28,374	26,227	(8,791)	432,061	1,954,073	6,134,500	18,207	6,152,707	

The explanatory notes to the financial statements pages 10 to 57 are an integral part of these financial statements.

Banca Transilvania S.A.

Individual Statement of changes in Equity

For the 6-month period ended 30 June 2017

Bank	Note	Attributable to the equity holders of the Bank							Total
		Share capital	Treasury shares	Share premium	Revaluation reserves	Reserves for financial assets available-for-sale	Other reserves	Retained earnings	
<i>In RON thousand</i>									
Balance as at 1 January 2017		3,732,549	(16,546)	28,374	27,188	10,790	422,489	1,779,244	5,984,088
Total comprehensive income									
Profit for the year		-	-	-	-	-	-	496,057	496,057
Other comprehensive income, net of income tax									
Fair value gains/(losses) from available-for-sale financial assets (net of deferred tax)		-	-	-	-	133,712	-	-	133,712
Retained earnings from revaluation reserves		-	-	-	(1,076)	-	-	1,076	-
Other elements of comprehensive income		-	-	-	-	-	-	(39)	(39)
Total comprehensive income		-	-	-	(1,076)	133,712	-	497,094	629,730
Contributions of/distributions to the shareholders									
Recognition of employee benefits in the form of equity instruments		-	-	-	-	-	-	15,000	15,000
Acquisition of treasury shares		-	(27,468)	-	-	-	-	-	(27,468)
Dividends to be distributed to shareholders		-	-	-	-	-	-	(219,000)	(219,000)
Total contributions of/distributions to the shareholders		-	(27,468)	-	-	-	-	(204,000)	(231,468)
Balance as at 30 June 2017		3,732,549	(44,014)	28,374	26,112	144,502	422,489	2,072,338	6,382,350

Banca Transilvania S.A.

Individual Statement of Changes in Equity As at 31 December 2016

Bank <i>In RON thousand</i>	Note	Attributable to the equity holders of the Bank							Total
		Share capital	Treasury shares	Share premium	Revaluation reserves	Reserves for financial assets available-for-sale	Other reserves	Retained earnings	
Balance as at 1 January 2016		3,112,505	-	28,316	27,377	187,928	372,533	2,389,102	6,117,761
Total comprehensive income		-	-	-	-	-	-	-	-
Profit for the year		-	-	-	-	-	-	1,228,440	1,228,440
Other comprehensive income, net of income tax									
Fair value gains / (losses) from available-for-sale financial assets (net of deferred tax)		-	-	-	-	(177,138)	-	-	(177,138)
Revaluation of property and equipment, net of income tax		-	-	-	1,498	-	-	-	1,498
Retained earnings from revaluation reserves		-	-	-	(1,687)	-	-	1,687	-
Distribution to statutory reserves		-	-	-	-	-	49,956	(49,956)	-
Other elements of comprehensive income		-	-	-	-	-	-	(29)	(29)
Total comprehensive income		-	-	-	(189)	(177,138)	49,956	1,180,142	1,052,771
Contributions of/distributions to the shareholders									
Increase in share capital through the conversion of profit reserves		620,000	-	-	-	-	-	(620,000)	-
Increase in share capital through share premium incorporation		44	-	58	-	-	-	-	102
Recognition of employee benefits in the form of equity instruments		-	-	-	-	-	-	30,000	30,000
Acquisition of treasury shares		-	(16,546)	-	-	-	-	-	(16,546)
Dividends distributed to shareholders		-	-	-	-	-	-	(1,200,000)	(1,200,000)
Total contributions of/distributions to the shareholders		620,044	(16,546)	58	-	-	-	(1,790,000)	(1,186,444)
Balance at 31 December 2016		3,732,549	(16,546)	28,374	27,188	10,790	422,489	1,779,244	5,984,088

The explanatory notes to the financial statements pages 10 to 57 are an integral part of these financial statements.

Banca Transilvania S.A.

Consolidated and Individual Statement of Cash Flows For the 6-month period ended 30 June

<i>In RON thousand</i>	Note	Group		Bank	
		2017	2016	2017	2016
Cash flow from/(used in) operating activities					
Profit for the year		512,728	481,071	496,057	458,256
Adjustments for:					
Depreciation / amortization expense		56,990	45,153	41,235	35,680
Impairment allowance and write-offs of financial assets, provisions for other risks and loan commitments		154,506	364,411	147,249	353,109
Adjustment of financial assets at fair value through profit and loss		(5,002)	4,703	(5,513)	4,529
Income tax recovery		92,614	84,019	86,411	80,042
Interest income		(1,026,473)	(1,027,789)	(989,286)	(1,001,276)
Interest expenses		103,479	145,949	103,005	143,583
Income tax paid/recovered		(4,245)	-	-	-
Other adjustments		74,969	24,894	45,671	(16,074)
Net profit adjusted with non-monetary elements		(40,434)	122,411	(75,171)	57,849
Changes in operating assets and liabilities					
Change in investment securities		483,999	(1,414,038)	582,037	(1,413,046)
Change in placements with banks		(56,898)	(318,740)	(53,038)	(339,781)
Change in loans and advances to customers		(1,477,332)	(904,466)	(1,647,858)	(1,078,471)
Change in net lease investments		(127,681)	(53,958)	-	-
Change in financial assets at fair value through profit or loss		56,095	2,183	(12,350)	(7,166)
Change in other financial assets		92,650	2,741	12,599	90,229
Change in other assets		(29,465)	(83,691)	(21,995)	(58,094)
Change in deposits from customers		1,685,640	652,737	1,694,074	121,007
Change in deposits from banks		(66,245)	121,007	(66,245)	653,391
Change in other financial liabilities		79,750	240,765	147,253	209,442
Change in other liabilities		21,548	82,075	(745)	55,652
Interest received		1,018,398	1,134,209	1,053,243	1,132,424
Interest paid		(119,600)	(174,469)	(119,126)	(171,835)
Net cash from/ (used in) operating activities		1,520,425	(591,234)	1,492,678	(748,399)
Cash flow from / (used in) investment activities					
Net acquisitions of property and equipment		(113,861)	(79,328)	(56,927)	(26,496)
Net acquisitions intangible assets		(36,247)	(14,912)	(43,747)	(9,382)
Proceeds from disposal of property and equipment and intangible assets		7,423	1,324	4,359	164
Acquisition of equity investments		-	(7,890)	-	(42)
Acquisition of securities held-to-maturity		20,236	(3,770)	-	-
Dividends collected		1,823	5,768	(34,685)	5,768
Net cash flow from / (used in) investment activities		(120,626)	(98,808)	(131,000)	(29,988)

Banca Transilvania S.A.

Consolidated and Individual Statement of Cash Flows (*continued*) For the 6-month period ended 30 June

In RON thousand	Note	Group		Bank	
		2017	2016	2017	2016
Cash flow from/ (used in) the financing activity					
Gross receipts from loans from banks and other financial institutions		15,205,484	3,759,455	15,200,105	3,759,625
Gross payments from loans from banks and other financial institutions		(16,042,631)	(3,484,328)	(16,022,936)	(3,405,780)
Gross payments from subordinated liabilities		(13,137)	(13,152)	(13,137)	(13,152)
Dividend payments		(6,165)	(1,187,662)	-	(1,187,662)
Payments for treasury shares		(27,468)	-	(27,468)	-
Net cash flow from / (used in) financing activities		(883,917)	(925,687)	(863,436)	(846,969)

In RON thousand	Group		Bank	
	2017	2016	2017	2016
Net increase/decrease in cash and cash equivalents	515,882	(1,615,729)	498,242	(1,625,356)
Cash and cash equivalents at the National Bank as at 1 January	7,641,059	8,607,236	7,627,754	8,597,019
Cash and cash equivalents as at 30 June	8,156,941	6,991,507	8,125,996	6,971,663

Banca Transilvania S.A.

Notes to the Condensed Consolidated and Individual Interim Financial Statements

1. Reporting entity and basis of preparation

a) Reporting entity

Banca Transilvania S.A. (the “Bank”) is a joint-stock company incorporated in Romania. The Bank started its activity as a banking institution 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 Group Banca Transilvania (“Group”) includes the parent-company, Banca Transilvania S.A. (“Bank”) and its subsidiaries, based in Romania and in the Republic of Moldova. The condensed consolidated and individual financial statements as at 30 June 2017 comprise Banca Transilvania S.A (the “parent company” or “BT”) and its subsidiaries (hereinafter referred to as the “Group”).

The Group’s fields of activity are: banking through Banca Transilvania S.A (the “Bank”), leasing and consumer loans through BT Leasing Transilvania IFN S.A., BT Operațional Leasing S.A., BT Direct IFN S.A. și BT Leasing MD S.R.L., SME loans via BT Microfinantare IFN SA, asset management through BT Asset Management S.A.I S.A. Likewise, the Bank controls 4 investment funds which it also consolidates using the global consolidation method.

The Bank carries out its banking activity through its head office located in Cluj-Napoca and 54 branches, of which one is in Italy, 452 agencies, of which one is in Italy, 26 work units, 7 healthcare division units, 2 private banking agencies in Romania and Italy and 1 regional office located in Bucharest (31 December 2016: 447 agencies, 33 work units, 7 healthcare division units and 2 private banking units in Romania and Italy and a regional center located in Bucharest).

In 2013 the Bank opened a branch in Italy, which began its operational activity in 2014.

The Group’s number of active employees as at 30 June 2017 was 7,826 (31 December 2016: 7,573 employees).

The Bank’s number of active employees as at 30 June 2017 was 7,218 (31 December 2016: 7,014 employees).

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

The Bank’s shareholding structure is:

	30 June 2017	31 December 2016
European Bank for Reconstruction and Development (“EBRD”)	8.60%	8.60%
Romanian individuals	17.24%	16.97%
Romanian companies	29.25%	29.32%
Foreign individuals	1.84%	1.82%
Foreign companies	43.07%	43.29%
Total	100%	100%

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

Banca Transilvania S.A.

Notes to the Condensed Consolidated and Individual Interim Financial Statements

1. Reporting entity and basis of preparation (continued)

b) Declaration of conformity

The interim condensed consolidated and individual financial statements of the Bank and the Group as at 30 June 2017 have been prepared in accordance with IAS 34 “Interim financial reporting”, as endorsed by the European Union. They do not include all the information necessary for a complete set of financial statement in compliance with the Financial Reporting Standards (“IFRS”), as ratified by the European Union. However, certain explanatory notes are included in order to explain the events and the transactions that are significant to the understanding of the changes in the financial position and performance of the Bank and the Group since the last consolidated and individual financial statements as at and for the year ended 31 December 2016.

Financial information for the period closed as at 30 June 2017 were unaudited.

c) Basis of measurement

The interim condensed consolidated and individual financial statements have been prepared on a amortized cost basis, except the following fair value basis: financial assets and liabilities at fair value through profit or loss, whereas available for sale financial instruments through reserves, except those for which a reliable measurement of fair value is not available.

d) Functional and presentation currency

The items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional currency of the entities within the Group is the Romanian leu (“RON”), euro (“EUR”) and the Moldovan leu (“MDL”). The consolidated and individual financial statements are presented in RON, rounded to the nearest thousand.

The exchange rates for the major foreign currencies were:

Currency	30 June 2017	31 December 2016	Variation %
Euro (EUR)	1: RON 4.5539	1: RON 4.5411	0.28%
American dollar (USD)	1: RON 3.9915	1: RON 4.3033	(7.25)%

e) Use of estimates and judgments

The preparation of the consolidated and individual financial statements in accordance with the IFRS as endorsed by the European Union implies that the management uses certain estimations and judgments that affect the application of accounting policies, as well as the reported value of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical data and various other factors that are believed to be relevant under the given circumstances, the result of which forms the basis of the judgments used in assessing the carrying value of the assets and liabilities for which no other evaluation sources are available. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. The review of the accounting estimates are recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods.

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Notes to the Condensed Consolidated and Individual Interim Financial Statements

1. Reporting entity and basis of preparation (continued)

e) Use of estimates and judgments (continued)

Deed in Payment

Law 77/2016 regarding datum in solutum ("DIS" / Romanian "DIP") of certain residential real estate properties which debtors having mortgage loans collateralised by these assets may give them to the financing banks and the loans are to be considered closed irrespective if the fair value (or subsequent price of sold property) covers the existing gross exposure or not was adopted and is in force. The Law entered in force from 13 May 2016. DIP is applicable only to natural persons, residential real estate mortgages under EUR 250,000.

The Law is applicable for both active, ongoing loan contracts but also for future loans to be originated. The Law was claimed by various banks as being non-Constitutional and was analyzed by CCR (Constitutional Court of Romania). As such, the debtor could close the loan by passing the mortgaged asset only if hardship is demonstrated. CCR provided its view on 25 October 2016.

Hardship is defined by art. 1271 from the New Civil Code - if respecting the provision of a contract became excessively onerous due to exceptional changes which would make clearly unfair to oblige the debtor to comply to contracts' provisions. Merely the fall in value of the real estate properties or the increase in foreign currency rate for foreign currency denominated loans does not demonstrate by default hardship. The decision regarding the hardship may only be judged in Court.

Approach of the Bank

The Bank calculated specific provisions for all clients that requested the application of DIP.

The rest of the population for which the provisions of the law might be applicable was collectively assessed by the Bank. The management made judgements to assess the required level of provision. The judgements concern the population for which the "hardship" may apply and the probability of default for them. In estimating the population the Bank analyzed the loan to value ("LTV") of the loans and behavioral aspects related to mortgage loan population. The PD's were constructed based on LTV thresholds and by extrapolating past behavior. In estimating the PD parameters, the Bank took into consideration various thresholds of LTV and extrapolated the historical behavior of the loan portfolio.

Anticipated individual fiscal solution ("SFIA")

During 2016, the Bank also requested the Romanian Fiscal Authorities an official fiscal solution for the fiscal treatment of bargain gain ("SFIA"). As at 30 June 2017, the Bank has one case pending before the Court, challenging the position of the tax authorities regarding the individual tax treatment of the bargain gain. Based on the Bank's management current expectations the litigation could take between 1 to 3-5 years to settle. The management of the Bank considers that it has strong arguments to win the litigation on the legal merits based on the arguments presented above. However, this is an uncertain tax position and in the scenario in which the Bank will unfortunately lose its challenge to the fiscal authorities (the Court case), it will have to consider the bargain gain as taxable income and settle associated fines and penalties (if any).

Notes to the Condensed Consolidated and Individual Interim Financial Statements

2. Significant accounting policies

The methods and accounting policies applied by the Bank and the Group entities in these interim condensed consolidated and individual financial statements are the ones applied in the consolidated and individual financial statements as at and for the period ended 31 December 2016.

As compared to the standards presented in the consolidated and individual financial statements as at 31 December 2016 applicable as of 2017 or later, on 7 June 2017 IFRIC 23 "Uncertainty over Income Tax Treatments" was issued, being effective for annual periods beginning on or after 1 January 2019; the provisions therein are summarized as follows:

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation.

The Group is currently assessing the impact of the amendments on its financial statements. These amendments have not been endorsed by the European Union, yet.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

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Notes to the Condensed Consolidated and Individual Interim Financial Statements

3. Segment reporting

An operational segment is a component of the Group and of the Bank:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity);
- The operating results of which are regularly reviewed by the main decisional factor in order to make decisions regarding the resources to be allocated to the segment and to assess its performance;
- For which discrete financial information is available.

The segment reporting of the Group and the Bank is based on the following operating segments:

Large Corporate Clients (LaCo): The entities managed by the Group and the Bank within this category are companies/groups of companies with an annual turnover above RON 100 million, as well as SPVs, entities within the public sector and financial institutions falling under this category according to special classification criteria. Generally, the companies within this segment have specific large-scale needs. Through a centralized and specialized approach, we wish to ensure increased operating quality, prompt assessment of the specific needs of this client type, in order to provide these clients with customized solutions and to gain in-depth knowledge of the risk profile for a high quality of the loan portfolio.

The Large Corporate Clients have access to the whole range of banking products and services, the structure of the generated revenues resulting from lending operations, operations related to the current operating business (banking transaction, treasury, trade finance and retail products), as well as other related services (leasing, asset management, merger and acquisition consultancy, capital markets). Through the provided services the Bank wishes to extend the cooperation at the level of the LaCo's partners: clients/suppliers/employees focusing on increasing non-risk revenues.

Mid Corporate Clients (MidCo): The entities managed by the Group and the Bank within this category are companies with an annual turnover between RON 9 and 100 million. Using these thresholds as limits for the classification of the MidCo segment, the Bank address the clients' most important common requests: customized financing solutions, easy access to a large range of banking solutions, price established according to the financial performance, mobile and dedicated relationship manager, as well as operating agility. Depending on the activity type, the customized servicing of the clients is supplemented by two existing specialized departments, i.e. Agribusiness and Healthcare.

The MidCo segment also includes entities within the public sector, financial institutions or SPVs classified in this category based on specific criteria. The Bank provides MidCo clients with complete financing services: lending services, current operations and treasury operations, as well as related services: benefit packages for employees, structured financing, co-financing of projects from European funds. The Bank facilitates the access to the services provided by the subsidiaries of the Group such as: bancassurance, mergers and acquisitions consultancy, asset management, financial and operational leasing, with the purpose of obtaining a steady increase of profitability and non-risk income.

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Notes to the Condensed Consolidated and Individual Interim Financial Statements

3. Segment reporting (*continued*)

SME Clients - companies with an annual turnover between RON 2 and 9 million. This are companies that have completed the first development stages and the business of which requires additional attention. Therefore, their needs become obvious, with main focus being on financing activities.

Micro Business clients – legal entities with an annual turnover of up to RON 2 million. This is the largest category of clients and comprises various legal forms, i.e. LLC, authorized individuals, individual enterprises, etc.

Depending on the history of the business (many clients are very young businesses), the experience of the entrepreneur, the type market it addresses, there are new needs which are covered by the Group and the Bank through packages of products and services which have become, over time, a benchmark in the banking sector for this segment of beneficiaries. Lending products tend to be accessed as Micro-enterprises or SMEs start taking shape: working capital or investment loans, LGs, co-financing of European programs, credit cards, leasing, factoring or discount operations. Starting with December 2016, BT Microfinance IFN SA was launched as a subsidiary dedicated to microfinance, providing an important access to development loans for companies considered too small by commercial banks. From this point of view, the Group provides the largest number of finance options for SME entrepreneurs.

Another important product category refers to general operations, payments and collections, cheques, promissory notes, FX operations, salary payment agreements or bancassurance services. Digitalization options play an important role in the rapid growth, the Bank's clients being interested in Internet and mobile banking, e-commerce, modern POSs and in the integration of the financial information with their own accounting systems.

Individuals - The Group and the Bank provide individuals with a range of banking products and services, including lending (consumer loans, vehicles purchase facilities, personal needs loans and mortgages), savings and deposit taking business, payment services and securities business.

Treasury: The Group and the Bank include in this category the treasury services.

Leasing and consumer finance this category includes financial products and services provided by the leasing and consumer finance entities of the Group.

Other: The Group and the Bank incorporate in this category the services offered by other financial entities within the Group such as asset management, brokerage, factoring and real estate.

With regard to the geographical segmentation, the Group's and the Bank's activity mainly covers Romanian, except for the business in Italy (at Bank level) and the financial leasing via BT Leasing Moldova (at Group level), however their contribution to the balance sheet and the profit or loss account is not significant. There is no other information available regarding the geographical segmentation used by the Group's and the Bank's management, so that this breakdown is not presented here.

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Notes to the Condensed Consolidated and Individual Interim Financial Statements

3. Segment reporting (continued)

The tables below present the financial information per segments in the consolidated statement of financial position and the operational result before net expenses with the impairment allowance for loans and advances to customers:

Business segments as at 30 June 2017

<i>In RON thousand GROUP 30 June 2017</i>	Large Corporate	Medium Corporate	SME	Micro	Retail Banking	Treasury	Leasing and consumer loans	Others	Eliminations and adjustments	Total
Gross loans	5,456,985	5,523,342	1,450,809	2,626,370	15,759,996	-	876,665	13,878	(915,150)	30,792,895
Provisions	(775,287)	(409,221)	(54,330)	(105,447)	(651,484)	-	(78,658)	(59)	4,953	(2,069,533)
Loans net of provisions	4,681,698	5,114,121	1,396,479	2,520,923	15,108,512	-	798,007	13,819	(910,197)	28,723,362
Portfolio Debt instruments and Equity instruments net of provisions	-	-	-	-	-	15,024,306	-	165,397	(184,117)	15,005,586
Treasury and inter-bank operations	-	-	-	23,603	-	8,269,943	39,094	180,164	(182,274)	8,330,530
Intangible assets	57,272	72,729	31,249	62,797	260,941	17,913	158,521	70,479	(1,047)	730,854
Other assets	122,388	125,800	33,120	58,424	360,143	-	34,774	63,378	(190,739)	607,288
Total assets	4,861,358	5,312,650	1,460,848	2,665,747	15,729,596	23,312,162	1,030,396	493,237	(1,468,374)	53,397,620
Deposits from customers	4,406,286	4,905,187	1,254,575	4,944,365	28,020,046	181,001	268	1,991	(180,985)	43,532,734
Loans from banks and other financial institutions	73,929	277,690	154,440	326,225	8,568	661,382	830,004	46,332	(909,184)	1,469,386
Other subordinated liabilities	-	-	-	-	-	412,462	-	-	-	412,462
Other liabilities	228,392	234,760	61,806	109,049	672,074	-	31,796	122,272	(13,497)	1,446,652
Total liabilities	4,708,607	5,417,637	1,470,821	5,379,639	28,700,688	1,254,845	862,068	170,595	(1,103,666)	46,861,234
Equity and related items	-	-	-	-	-	-	-	6,536,386	-	6,536,386
Total liabilities	4,708,607	5,417,637	1,470,821	5,379,639	28,700,688	1,254,845	862,068	6,706,981	(1,103,666)	53,397,620

The explanatory notes to the financial statements pages 10 to 57 are an integral part of these financial statements.

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Notes to the Condensed Consolidated and Individual Interim Financial Statements

3. Segment reporting (continued)

Business segments as at 31 December 2016

<i>In RON thousand GROUP 31 December 2016</i>	Large Corporate	Medium Corporate	SME	Micro	Retail Banking	Treasury	Leasing and consumer loans	Others	Eliminations and adjustments	Total
Gross loans	5,269,724	5,298,218	1,405,942	2,325,435	15,087,561	-	737,169	14,823	(660,962)	29,477,910
Provisions	(917,862)	(368,156)	(61,439)	(109,669)	(712,738)	-	-78,614	-59	4,672	(2,243,865)
Loans net of provisions	4,351,862	4,930,062	1,344,503	2,215,766	14,374,823	-	658,555	14,764	(656,290)	27,234,045
Portfolio Debt instruments and Equity instruments net of provisions	-	-	-	-	-	15,402,104	-	180,158	(182,533)	15,399,729
Treasury and inter-bank operations	-	-	-	3,570	-	7,818,527	35,048	172,977	(172,647)	7,857,475
Intangible assets	55,430	74,521	32,393	61,027	211,566	15,318	129,395	69,015	(557)	648,108
Other assets	157,354	160,550	42,690	70,429	459,300	0	25,057	66,827	(177,340)	804,867
Total assets	4,564,646	5,165,133	1,419,586	2,350,792	15,045,689	23,235,949	848,055	503,741	(1,189,367)	51,944,224
Deposits from customers	4,586,377	4,740,955	1,327,994	4,841,113	26,355,333	247,268	136	2,966	(173,399)	41,928,743
Loans from banks and other financial institutions	70,116	278,638	155,240	246,620	12,812	1,483,035	672,282	41,259	(655,091)	2,304,911
Other subordinated liabilities	0	0	-	-	-	424,111	-	-	-	424,111
Other liabilities	179,554	183,201	48,713	82,381	524,101	-	27,656	101,516	(13,370)	1,133,752
Total liabilities	4,836,047	5,202,794	1,531,947	5,170,114	26,892,246	2,154,414	700,074	145,741	(841,860)	45,791,517
Equity and related items	-	-	-	-	-	-	-	6,152,707	-	6,152,707
Total liabilities	4,836,047	5,202,794	1,531,947	5,170,114	26,892,246	2,154,414	700,074	6,298,448	(841,860)	51,944,224

The explanatory notes to the financial statements pages 10 to 57 are an integral part of these financial statements.

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Notes to the Condensed Consolidated and Individual Interim Financial Statements

3. Segment reporting (continued)

Business segments

<i>In RON thousand</i>	Large Corporate	Medium Corporate	SME	Micro	Retail Banking	Treasury	Leasing and consumer loans	Others	Eliminations and adjustments	Total
Group 30 June 2017										
Net interest income	50,231	97,177	41,281	86,999	359,758	84,275	32,017	170,694	562	922,994
Net commission income	22,824	43,774	25,264	94,789	87,907	(689)	1,492	22,060	(2,459)	294,962
Net trading income	2,119	11,175	9,981	18,247	33,327	27,906	(425)	18,076	(61)	120,345
Net gain/(loss) from sale of available-for-sale financial instruments	-	-	-	-	-	(10,640)	-	(9,167)	(43)	(19,850)
Contribution to the Bank Deposit Guarantee Fund	(5,438)	(5,617)	(1,594)	(5,752)	(31,295)	-	-	-	-	(49,696)
Other operating income (*)	8,411	8,169	447	182	17,520	-	31,131	56,481	(40,296)	82,045
Total income	78,147	154,678	75,379	194,465	467,217	100,852	64,215	258,144	(42,297)	1,350,800
Personnel expenses	(38,833)	(52,421)	(28,656)	(57,315)	(159,524)	(2,692)	(8,627)	(11,561)		(359,629)
Operating expenses	(18,617)	(25,337)	(15,084)	(24,528)	(111,996)	(3,086)	(5,353)	(19,696)	8,882	(214,815)
Advertising and promotional expenses	(1,214)	(1,658)	(2,182)	(4,153)	(6,330)	(185)	(381)	(120)		(16,223)
Depreciation and amortization	(4,925)	(6,110)	(2,640)	(5,210)	(21,064)	(1,451)	(14,499)	(1,091)		(56,990)
Other expenses	(3,104)	(4,148)	(2,296)	(4,098)	(14,618)	(356)	(8,865)	(994)	11	(38,468)
Total Expenses	(66,693)	(89,674)	(50,858)	(95,304)	(313,532)	(7,770)	(37,725)	(33,462)	8,893	(686,125)
Operational result before impairment losses for assets and provisions for other risks and loan commitments	11,454	65,004	24,521	99,161	153,685	93,082	26,490	224,682	-33,404	664,675

The explanatory notes to the financial statements pages 10 to 57 are an integral part of these financial statements.

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Notes to the Condensed Consolidated and Individual Interim Financial Statements

3. Segment reporting (continued)

Business segments

<i>In RON thousand</i>	Large Corporate	Medium Corporate	SME	Micro	Retail Banking	Treasury	Leasing and consumer loans	Others	Eliminations and adjustments	Total
Group 30 June 2016										
Net interest income	62,821	108,624	38,165	71,127	366,460	87,656	22,589	125,065	(667)	881,840
Net commission income	20,766	45,406	24,620	79,354	73,204	(402)	427	15,649	(551)	258,473
Net trading income	2,280	10,855	9,032	14,773	30,445	13,289	307	(1,260)	22	79,743
Net gain/(loss) from sale of available-for-sale financial instruments	-	-	-	-	185,385	42,726	-	41,647	-	269,758
Contribution to the Bank Deposit Guarantee Fund	(9,208)	(9,511)	(2,153)	(7,772)	(44,148)	-	-	-	-	(72,792)
Other operating income	6,866	6,704	344	137	15,743	-	20,553	16,987	(5,381)	61,953
Total income	83,525	162,078	70,008	157,619	627,089	143,269	43,876	198,088	(6,577)	1,478,975
Personnel expenses	(35,001)	(47,248)	(25,829)	(48,513)	(143,783)	(2,427)	(7,617)	(7,671)	10	(318,079)
Operating expenses	(16,529)	(22,495)	(13,392)	(20,504)	(99,433)	(2,740)	6,042	12,734	7,138	(149,179)
Advertising and promotional expenses	(942)	(1,287)	(1,693)	(3,161)	(4,912)	(144)	(115)	(115)	-	(12,369)
Depreciation and amortization	(4,262)	(5,287)	(2,285)	(4,355)	(18,227)	(1,256)	(8,336)	(1,145)	-	(45,153)
Other expenses	(2,409)	(3,220)	(1,782)	(3,802)	(11,347)	(277)	(24,339)	(22,628)	(1,378)	(71,182)
Total Expenses	(59,143)	(79,537)	(44,981)	(80,335)	(277,702)	(6,844)	(34,365)	(18,825)	5,770	(595,962)
Operational result before impairment losses for assets and provisions for other risks and loan commitments	24,382	82,541	25,027	77,284	349,387	136,425	9,511	179,263	(807)	883,013

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Notes to the Condensed Consolidated and Individual Interim Financial Statements

4. Financial assets and liabilities

a) Accounting classifications and fair value

Group

<i>In RON thousand</i>	Note	Financial assets at fair value through profit and loss (*)	Loans and receivables and net lease investments	Available-for- sale securities	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
30 June 2017							
Financial assets							
Cash and cash equivalents at the National Bank	15	-	4,546,050	-	-	4,546,050	4,546,050
Placements with banks	16	-	4,004,187	-	-	4,004,187	4,004,187
Financial assets at fair value through profit and loss	17	212,756	-	-	-	212,756	212,756
Loans and advances to customers	18	-	28,080,307	-	-	28,080,307	27,563,092
Net lease investments	19	-	643,055	-	-	643,055	641,132
Investment securities, available-for-sale	20	-	-	14,573,123	-	14,573,123	14,573,123
Other financial assets	23	-	161,570	-	-	161,570	161,570
Total financial assets		212,756	37,435,169	14,573,123	-	52,221,048	51,701,910
Financial liabilities							
Deposits from banks	25	-	-	-	181,001	181,001	181,001
Deposits from customers	26	-	-	-	43,351,733	43,351,733	43,378,538
Loans from banks and other financial institutions	27	-	-	-	1,469,386	1,469,386	1,469,386
Other subordinated liabilities	28	-	-	-	412,462	412,462	412,462
Other financial liabilities	30	-	-	-	768,725	768,725	768,725
Total financial liabilities		-	-	-	46,183,307	46,183,307	46,210,112

The explanatory notes to the financial statements pages 10 to 57 are an integral part of these financial statements.

Notes to the Condensed Consolidated and Individual Interim Financial Statements

4. Financial assets and liabilities (continued)

a) Accounting classifications and fair value (continued)

Group

<i>In RON thousand</i>	Note	Financial assets at fair value through profit and loss (*)	Financial assets held-to- maturity	Loans and receivables and net lease investments	Available-for- sale securities	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
31 December 2016								
Financial assets								
Cash and cash equivalents at the National Bank	15	-	-	5,293,660	-	-	5,293,660	5,293,660
Placements with banks	16	-	-	2,785,505	-	-	2,785,505	2,785,505
Financial assets at fair value through profit and loss	17	163,520	-	-	-	-	163,520	163,520
Loans and advances to customers	18	-	-	26,710,402	-	-	26,710,402	26,819,962
Net lease investments	19	-	-	523,643	-	-	523,643	524,137
Investment securities, available-for-sale	20	-	-	-	14,993,828	-	14,993,828	14,993,828
Investment securities, held-to-maturity		-	20,691	-	-	-	20,691	20,864
Other financial assets	23	-	-	194,151	-	-	194,151	194,151
Total financial assets		163,520	20,691	35,507,361	14,993,828	-	50,685,400	50,795,627
Financial liabilities								
Deposits from banks	25	-	-	-	-	247,268	247,268	247,268
Deposits from customers	26	-	-	-	-	41,681,475	41,681,475	41,707,892
Loans from banks and other financial institutions	27	-	-	-	-	2,304,911	2,304,911	2,304,911
Other subordinated liabilities	28	-	-	-	-	424,111	424,111	424,111
Other financial liabilities	30	-	-	-	-	469,975	469,975	469,975
Total financial liabilities		-	-	-	-	45,127,740	45,127,740	45,154,157

(*) This category includes just held-for-trading financial assets

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Notes to the Condensed Consolidated and Individual Interim Financial Statements

4. Financial assets and liabilities (continued)

a) Accounting classifications and fair value (continued)

Bank

<i>In RON thousand</i>	Note	Financial assets at fair value through profit and loss (*)	Loans and receivables	Investment securities, available-for-sale	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
30 June 2017							
Financial assets							
Cash and cash equivalents at the National Bank	15	-	4,546,025	-	-	4,546,025	4,546,025
Placements with banks	16	-	3,943,625	-	-	3,943,625	3,943,625
Financial assets at fair value through profit and loss	17	77,753	-	-	-	77,753	77,753
Loans and advances to customers	18	-	28,741,718	-	-	28,741,718	28,609,263
Investment securities, available-for-sale	20	-	-	14,726,846	-	14,726,846	14,726,846
Other financial assets	23	-	159,627	-	-	159,627	159,627
Total financial assets		77,753	37,390,995	14,726,846	-	52,195,594	52,063,139
Financial liabilities							
Deposits from banks	25	-	-	-	181,001	181,001	181,001
Deposits from customers	26	-	-	-	43,530,459	43,530,459	43,557,264
Loans from banks and other financial institutions	27	-	-	-	1,425,146	1,425,146	1,425,146
Other subordinated liabilities	28	-	-	-	412,462	412,462	412,462
Other financial liabilities	30	-	-	-	735,560	735,560	735,560
Total financial liabilities		-	-	-	46,284,628	46,284,628	46,311,433

(*) This category includes just held-for-trading financial assets

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Notes to the Condensed Consolidated and Individual Interim Financial Statements

4. Financial assets and liabilities (continued)

a) Accounting classifications and fair value (continued)

Bank

<i>In RON thousand</i>	Note	Financial assets at fair value through profit and loss (*)	Loans and receivables	Investment securities, available-for-sale	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
31 December 2016							
Financial assets							
Cash and cash equivalents at the National Bank	15	-	5,293,635	-	-	5,293,635	5,293,635
Placements with banks	16	-	2,746,582	-	-	2,746,582	2,746,582
Financial assets at fair value through profit and loss	17	59,890	-	-	-	59,890	59,890
Loans and advances to customers	18	-	27,209,976	-	-	27,209,976	27,319,536
Investment securities, available-for-sale	20	-	-	15,120,524	-	15,120,524	15,120,524
Other financial assets	23	-	170,153	-	-	170,153	170,153
Total financial assets		59,890	35,420,346	15,120,524	-	50,600,760	50,710,320
Financial liabilities							
Deposits from banks	25	-	-	-	247,268	247,268	247,268
Deposits from customers	26	-	-	-	41,851,773	41,851,773	41,878,190
Loans from banks and other financial institutions	27	-	-	-	2,246,461	2,246,461	2,246,461
Other subordinated liabilities	28	-	-	-	424,111	424,111	424,111
Other financial liabilities	30	-	-	-	441,158	441,158	441,158
Total financial liabilities		-	-	-	45,210,771	45,210,771	45,237,188

(*) This category includes just held-for-trading financial assets

Notes to the Condensed Consolidated and Individual Interim Financial Statements

4. Financial assets and liabilities (continued)

b) Fair value of financial assets and liabilities instruments

The Group and the Bank measure the fair value of financial instruments by using the following fair value hierarchy:

Level 1 in the fair value hierarchy

The fair value of financial assets and liabilities included in level 1 in the fair value hierarchy is determined based on quoted prices in active markets for identical assets or liabilities. Quoted prices that are being applied must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 in the fair value hierarchy

The fair value of financial assets and liabilities included in level 2 in the fair value hierarchy is determined using evaluation methods which contain data that are not observable and there aren't available market data. For evaluation in level 2 in the fair value hierarchy are being used market observable parameters, interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads.

Level 3 in the fair value hierarchy

The fair value of financial assets and liabilities included in level 3 in the fair value hierarchy is determined using inputs based on data of an observable market (unobservable data inputs shall be used to measure fair value to the extent that participants in market condition would establish the price of an asset or a liability, based on assumptions related to risk level).

The objective of valuation techniques is to derive the fair value that reflects a price for the financial instrument at the reporting date, price that would be obtained by the market participants acting at arm's length.

The availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining the fair value. 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 is determined by using various valuation techniques. The management uses its judgment to select the valuation method and makes assumptions that are mainly based on market conditions existing at the date of the consolidated/ individual statement of the financial position.

(i) *Fair value hierarchy analysis of financial instruments carried at fair value*

At level 1 in the fair value hierarchy the Bank and the Group classified equity instruments, and debt instruments held at fair value through profit or loss, all the bonds classified as available for sale, except for the bonds issued by City halls.

At level 2 in the fair value hierarchy the Bank and the Group classified derivative instruments held at fair value through profit or loss, bonds classified as available for sale issued by City Halls and derivatives classified as financial liabilities held for trading.

At level 3 in the fair value hierarchy the Bank and the Group classified equity instruments held at cost, tangibles assets and investment properties.

Notes to the Condensed Consolidated and Individual Interim Financial Statements

4. Financial assets and liabilities (continued)

b) Fair value of financial assets and liabilities instruments (continued)

i) Fair value hierarchy analysis of financial instruments carried at fair value (continued)

During the period between the beginning of the year and 30 June 2017, the Bank and the Group had no reclassifications between the levels of the fair-value hierarchy for financial instruments held at fair value.

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

Group - In RON thousand

	<u>Note</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
30 June 2017					
Financial assets at fair value through profit or loss, of which:	17				
- Equity instruments	17	200,263	12,493	-	212,756
- Debt instruments	17	189,282	-	-	189,282
- Derivatives	17	10,981	-	-	10,981
Securities available-for-sale	20				
Total financial assets measured at fair value in the statement of financial position		14,509,602	60,409	3,112	14,573,123
Non-financial assets at fair value					
- Tangible assets and investment property	21	-	-	623,316	623,316
Total assets measured at fair value in the statement of financial position		14,709,865	72,902	3,112	14,785,879
Financial liabilities held-for-trading	30				
		-	9,268	-	9,268
31 December 2016					
Financial assets at fair value through profit or loss, of which:	17				
- Equity instruments	17	155,609	7,911	-	163,520
- Debt instruments	17	145,156	-	-	145,156
- Derivatives	17	10,453	-	-	10,453
Securities available-for-sale	20				
Total financial assets measured at fair value in the statement of financial position		14,929,689	61,027	3,112	14,993,828
Non-financial assets at fair value					
- Tangible assets and investment property	21	-	-	558,734	558,734
Total assets measured at fair value in the statement of financial position		15,085,298	68,938	3,112	15,157,348
Financial liabilities held-for-trading	30				
		-	10,947	-	10,947

Notes to the Condensed Consolidated and Individual Interim Financial Statements

4. Financial assets and liabilities (continued)

b) Fair value of financial assets and liabilities instruments (continued)

(i) Fair value hierarchy analysis of financial instruments carried at fair value (continued)

Bank - In RON thousand	Note	Level 1	Level 2	Level 3	Total
30 June 2017					
<i>Financial assets at fair value through profit or loss, of which:</i>	17	65,260	12,493	-	77,753
- Equity instruments	17	65,260	-	-	65,260
- Derivatives	17	-	12,493	-	12,493
<i>Securities available-for-sale</i>	20	14,663,346	60,409	3,092	14,726,847
Total financial assets measured at fair value in the statement of financial position		14,728,606	72,902	3,092	14,804,600
<i>Non-financial assets at fair value</i>					
- Tangible assets and investment property	21	-	-	404,473	404,473
Total assets measured at fair value in the statement of financial position		14,728,606	72,902	407,565	15,209,073
Financial liabilities held-for-trading	30	-	9,268	-	9,268
31 December 2016					
<i>Financial assets at fair value through profit or loss, of which:</i>	17	51,979	7,911	-	59,890
- Equity instruments	17	51,979	-	-	51,979
- Derivatives	17	-	7,911	-	7,911
<i>Securities available-for-sale</i>	20	15,056,405	61,027	3,092	15,120,524
Total financial assets measured at fair value in the statement of financial position		15,108,384	68,938	3,092	15,180,414
<i>Non-financial assets at fair value</i>					
- Tangible assets and investment property	21	-	-	370,305	370,305
Total assets measured at fair value in the statement of financial position		15,108,384	68,938	373,397	15,550,719
Financial liabilities held-for-trading	30	-	10,947	-	10,947

Notes to the Condensed Consolidated and Individual Interim Financial Statements

4. Financial assets and liabilities (continued)

b) Fair value of financial assets and liabilities instruments (continued)

ii) Financial instruments not carried at fair value

At level 1 in the fair value hierarchy the Group classified securities held until maturity.

At level 2 in the fair value hierarchy the Bank and the Group classified into asset category: deposits at banks, except securities classified as loans and receivables (which do not have an active market), loans and advances and leasing net investments to customers, and into debt category: deposits from banks and clients.

At level 3 in the fair value hierarchy the Bank and the Group classified in the asset category: securities classified within deposits at banks at loans and receivables and other financial assets, and in the debt category: loans from banks and other financial institutions, subordinated loans and other financial liabilities.

During the period between the beginning of the year and 30 June 2017, the Bank and the Group had no reclassifications between the levels of the fair-value hierarchy for financial instruments not held at fair value. The table below presents the fair value and the fair value hierarchy for the financial assets and liabilities that are not measured at fair value in the statement of financial position as at 30 June 2017:

RON thousand	Note	Group					Bank				
		Carrying amount	Fair value	Fair value hierarchy			Carrying amount	Fair value	Fair value hierarchy		
				Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
ASSETS											
Placements with banks	16	4,004,187	4,004,187		3,784,480	219,707	3,943,625	3,943,625	-	3,723,918	219,707
Loans and advances to customers	18	28,080,307	27,563,092	-	27,563,092	-	28,741,718	28,609,263	-	28,609,263	-
Net lease investments	19	643,055	641,132	-	641,132	-	-	-	-	-	-
Investment securities, held-to-maturity		-	-	-	-	-	-	-	-	-	-
Other financial assets	23	161,570	161,570	-	-	161,570	159,627	159,627	-	-	159,627
TOTAL ASSETS		32,889,119	32,369,981	-	31,988,704	381,277	32,844,970	32,712,515	-	32,333,181	379,334
LIABILITIES											
Deposits from banks	25	181,001	181,001	-	181,001	-	181,001	181,001	-	181,001	-
Deposits from customers	26	43,351,733	43,378,538	-	43,378,538	-	43,530,459	43,557,264	-	43,557,264	-
Loans from banks and other financial institutions	27	1,469,386	1,469,386	-	-	1,469,386	1,425,146	1,425,146	-	-	1,425,146
Other subordinated liabilities	28	412,462	412,462	-	-	412,462	412,462	412,462	-	-	412,462
Other financial liabilities	30	759,457	759,457	-	-	759,457	726,292	726,292	-	-	726,292
Total liabilities		46,174,039	46,200,844	-43,559,539	2,641,305	46,275,360	46,302,165	46,302,165	-	43,738,265	2,563,900

Notes to the Condensed Consolidated and Individual Interim Financial Statements

4. Financial assets and liabilities (continued)

b) Fair value of financial assets and liabilities instruments (continued)

ii) Financial instruments not carried at fair value (continued)

The table below presents the fair value and the fair value hierarchy for the financial assets and liabilities that are not measured at fair value in the statement of financial position as at 31 December 2016:

<i>RON thousand</i>	Note	Group					Bank				
		Carrying amount	Fair value	Fair value hierarchy			Carrying amount	Fair value	Fair value hierarchy		
				Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
ASSETS											
Placements with banks	16	2,785,505	2,785,505	-	2,563,815	221,690	2,746,582	2,746,582	-	2,524,892	221,690
Loans and advances to customers	18	26,710,402	26,819,962	-	26,819,962	-	27,209,976	27,319,536	-	27,319,536	-
Net lease investments	19	523,643	524,137	-	524,137	-	-	-	-	-	-
Investment securities, held-to-maturity		20,691	20,864	20,864	-	-	-	-	-	-	-
Other financial assets	23	194,151	194,151	-	-	194,151	170,153	170,153	-	-	170,153
TOTAL ASSETS		30,234,392	30,344,619	20,864	29,907,914	415,841	30,126,711	30,236,271	-	29,844,428	391,843
LIABILITIES											
Deposits from banks	25	247,268	247,268	-	247,268	-	247,268	247,268	-	247,268	-
Deposits from customers	26	41,681,475	41,707,892	-	41,707,892	-	41,851,773	41,878,190	-	41,878,190	-
Loans from banks and other financial institutions	27	2,304,911	2,304,911	-	-	2,304,911	2,246,461	2,246,461	-	-	2,246,461
Other subordinated liabilities	28	424,111	424,111	-	-	424,111	424,111	424,111	-	-	424,111
Other financial liabilities	30	459,028	459,028	-	-	459,028	430,211	430,211	-	-	430,211
Total liabilities		45,116,793	45,143,210	-	41,955,160	3,188,050	45,199,824	45,226,241	-	42,125,458	3,100,783

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5. Net interest income

In RON thousand	Group		Bank	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Interest income				
Loans and advances to customers (i)	785,962	804,771	779,213	799,625
Current accounts held with banks	1,475	2,751	1,473	2,751
Investment securities, available-for-sale	125,784	127,493	125,298	127,050
Securities classified as “Loans and advances to banks”	5,548	5,570	5,548	5,570
Securities held-to-maturity	160	289	-	-
Placements with banks	6,439	5,120	6,232	5,014
Net finance lease investments	28,983	20,481	-	-
Increase of the recoverable value of the acquired loans	72,122	61,314	71,522	61,266
<i>Total interest income</i>	<u>1,026,473</u>	<u>1,027,789</u>	<u>989,286</u>	<u>1,001,276</u>
Interest expense				
Deposits from customers	84,129	124,560	84,333	124,662
Loans from banks and other financial institutions	18,426	20,911	17,756	18,459
Deposits from banks	916	462	916	462
Net lease investments	8	16	-	-
<i>Total interest expense</i>	<u>103,479</u>	<u>145,949</u>	<u>103,005</u>	<u>143,583</u>
Net interest income	<u>922,994</u>	<u>881,840</u>	<u>886,281</u>	<u>857,693</u>

(i) Interest income as at 30 June 2017 includes interest income on impaired loans amounting RON 79,334 thousand (30 June 2016: RON 74,010 thousand) for the Group and RON 72,940 thousand (30 June 2016: RON 70,769 thousand) for the Bank.

The interest income and expense related to the financial assets and liabilities, other than those held at fair value through profit and loss, are determined using the effective interest rate method.

6. Net fee and commission income

In RON thousand	Group		Bank	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Fee and commission income				
Commissions from treasury and inter-bank operations	24,147	22,224	24,147	22,224
Client transactions	302,995	261,079	285,197	248,726
Lending activity (i)	21,476	23,806	21,502	23,817
Finance lease management	142	130	-	-
Other fee and commission income	54	72	54	73
<i>Total fee and commission income</i>	<u>348,814</u>	<u>307,311</u>	<u>330,900</u>	<u>294,840</u>
Fee and commission expense				
Commissions from treasury and inter-bank operations	43,368	39,517	43,283	39,404
Client transactions	8,971	7,920	7,526	6,367
Lending activity (i)	932	999	5,536	5,720
Other fee and commission income	581	402	689	402
<i>Total fee and commission expense</i>	<u>53,852</u>	<u>48,838</u>	<u>57,034</u>	<u>51,893</u>
Net fee and commission income	<u>294,962</u>	<u>258,473</u>	<u>273,866</u>	<u>242,947</u>

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6. Net fee and commission income (continued)

(i) The commissions resulting from lending activities include restructuring fees, prepayment fees, commissions for guarantee assessment and modification, commitment fees (not of effective interest rate nature), charges for the recovery of foreclosed assets.

7. Net trading income

In RON thousand	Group		Bank	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Net income from foreign exchange transactions (i)	96,852	80,998	96,952	81,096
Net income/ (expense) from financial assets at fair value through profit and loss	24,080	(5,490)	5,979	(4,288)
Net income / (expense) from foreign exchange position revaluation	(587)	4,235	(175)	3,867
Net trading income	120,345	79,743	102,756	80,675

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

8. Net gain/ (loss) from sale of available-for-sale financial instruments

In RON thousand	Group		Bank	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Gain from sale of available-for-sale financial instruments	22,462	301,114	21,244	300,655
Losses from sale of available-for-sale financial instruments	(42,312)	(31,356)	(42,107)	(31,157)
Total	(19,850)	269,758	(20,863)	269,498

9. Contribution to the Banking Deposit Guarantee Fund and to the Bank Resolution Fund

The deposits of individuals and of certain types of legal entities, including small and medium enterprises, are secured up to a certain limit (EUR 100,000) by the Deposit Guarantee Fund (the "Fund") according to the legislation in force (Law no. 311/2015 regarding deposit guarantee schemes and the Deposit Guarantee Fund and Law no. 312/2015 regarding the recovery and resolution of credit institution and investment firms).

The banks in Romania are obliged to pay a non-refundable amount to the Deposit Guarantee Fund, in order to insure customer deposits in the event of bank insolvency and an annual contribution to the Banking Resolution Fund.

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9. Contribution to the Banking Deposit Guarantee Fund and to the Bank Resolution Fund (continued)

The impact of the breakdown of the annual contribution to the two Funds, as reflected in the consolidated and individual statement of financial position, is the following:

	Group		Bank	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Contribution to the: Bank				
Deposit Guarantee Fund	9,814	58,192	9,814	58,192
Bank Resolution Fund	39,882	14,600	39,882	14,600
Total	49,696	72,792	49,696	72,792

Starting from 2015, the Group has applied the IFRIC 21 provisions on "Taxes", according to which the contribution to the Fund represents a tax that has to be fully registered upon the occurrence of the event (being the Bank receiving the notification letter from the Fund) causing the obligation of tax payment.

10. Other operating income

In RON thousand	Group		Bank	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Dividend income	1,823	5,768	34,685	5,768
Income from e-commerce transactions	1,249	1,070	1,249	1,070
Income from operating lease	22,856	13,819	-	-
Income from insurance intermediation	16,303	11,040	14,423	9,715
Income from the sale of movable and immovable assets resulting from debt enforcement	8,865	8,659	8,462	8,421
Income from the sale of finished goods	12,669	2,791	-	-
Income from disposal and write-off of property and equipment	-	-	-	164
Other operating income (i)	18,280	18,806	11,502	12,042
Total	82,045	61,953	70,321	37,180

(i) The category "Other operating income" includes the following types of income: debt recoveries related to closed accounts, cash at hand differences, income from recovered legal expenses, income related to VISA, MASTERCARD, WU services and marketing bonuses, other recoveries from operating expenses.

Banca Transilvania S.A.
Notes to the Condensed Consolidated and Individual Interim
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11. Net impairment losses on assets, provisions for other risks and loan commitments

In RON thousand	Group		Bank	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Impairment losses for assets (i)	158,599	374,263	154,030	370,100
Loans and net lease investments written-off	3,035	7,283	342	131
Provisions for other risks and for loan commitments	(7,128)	(17,135)	(7,123)	(17,122)
Recoveries from loans and net lease investments previously written-off	(95,173)	(46,488)	(89,762)	(27,893)
Net impairment losses on assets and provisions for other risks and loan commitments	59,333	317,923	57,487	325,216

(i) Impairment losses on assets include the following:

In RON thousand	Group		Bank	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Loans and advances to customers	150,825	375,268	156,377	371,862
Net finance lease investments	11,167	728	-	-
Other financial assets	1,094	66	155	(5)
Other non-financial assets	(4,487)	(1,799)	(2,502)	(1,757)
Net impairment losses	158,599	374,263	154,030	370,100

12. Personnel expenses

In RON thousand	Group		Bank	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Wages and salaries	255,999	230,987	240,422	220,861
Contribution to social security	40,824	35,428	37,928	33,431
Share payments to employees	15,000	15,000	15,000	15,000
Bonuses to employees	12,061	11,949	10,000	10,000
Other staff expenses	20,173	13,858	19,338	13,305
Contribution to the health fund	15,313	13,326	14,358	12,667
Contribution to the unemployment fund	1,845	1,616	1,758	1,552
Net expenses with provisions for overdue vacations and other provisions	(1,586)	(4,085)	(617)	(2,000)
Total	359,629	318,079	338,187	304,816

The expenses related to the share-based payment transactions are included in the wages and salaries and as at 30 June 2017 they amount to RON 15,000 thousand (2016: RON 15,000 thousand), both for the Group and the Bank. Until 30 June 2017, the Bank did not grant shares to its employees.

The Bank established a Stock Options Plan (“SOP”), in which the employees with good performances may exercise their right and option to purchase a number of shares issued by the Bank.

SOP vesting conditions for 2017:

- Achievement of performance and prudential indicators during 2017;
- Achievement of certain individual performance criteria, in accordance with the applicable remuneration policy, related to the year for which shares are granted;

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12. Personnel expenses (continued)

- Successful completion of the implementation of certain special projects (where applicable);
- Achievement of the individual budget targets for 2017 for the beneficiary's unit;
- The beneficiary maintains his/her capacity as employee at the exercising date; and
- The beneficiary has been employed within the Bank for a period of at least 6 months in 2017.

Fixed remuneration policy:

- The shares which are part of the fixed remuneration are surely granted to beneficiaries without any conditions or any decreases/increases in remuneration levels as a direct result of the performance achieved by the beneficiaries at individual level or by the Bank, within a specified period.

Contractual vesting period for 2017:

- Immediate release - after 31 May 2018;
- Deferral period for identified employees – 3 - 5 years (depending on the category).

The sensitivity to a possible value change of the shares to be granted to the employees under the Stock Option Plan for 2017, by the maximum legally acceptable variation of +/-15,00%, in terms of profit and loss would be RON +/- 4,500 thousand.

Movement in transactions relating to share-based payments during 2017 and 2016 is presented below:

	2017	2016
Balance as at January 1	30,000	-
Establishment taken	<u>15,000</u>	<u>30,000</u>
Closing balance at end of period	45,000	30,000

In 2016 no shares were granted to the Bank's employees.

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13. Other operating expenses

In RON thousand	Group		Bank	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Rent and operating lease expense	45,085	46,509	47,731	49,020
Repairs and maintenance	41,850	37,459	41,434	37,011
Materials and stationery	38,020	18,133	28,299	15,251
Advertising, marketing, protocol and sponsorship expenses	32,004	23,732	31,181	23,467
Postage and telecommunications	20,262	17,522	19,676	17,024
Other professional fees, including legal expenses	12,627	10,306	12,364	10,211
Expenses regarding movable and immovable assets resulting from debt enforcement	10,377	8,509	10,377	8,509
Electricity and heating	9,218	8,363	7,591	7,941
Travel and transportation	8,066	7,582	7,423	7,315
Insurance costs	6,110	5,402	5,707	5,077
Taxes	4,660	6,081	4,039	5,725
Expenses related to archiving services	4,616	2,107	4,603	2,100
Security and protection	4,300	3,123	4,266	3,058
Expenses with the assessment of third party guarantees	3,355	1,893	3,345	1,893
Expenses from the sale of leased goods	1,943	10,295	-	-
Write-off and loss on disposal of property and equipment and intangible assets	1,428	1,324	935	-
Expenses related to database queries from the Trade Register and the Credit Bureau	1,372	1,156	1,300	1,116
Expenses regarding movable and immovable assets resulting from debt enforcement	1,055	927	975	754
Audit, advisory and consultancy	855	1,438	645	1,117
Other operating expenses	22,303	20,869	11,397	14,602
Total	269,506	232,730	243,288	211,191

14. Income tax expense

Income tax as at 30 June 2017 includes the current tax and the deferred tax. The income tax is recognised in the result for the year or in the shareholders' equity, if the tax is related to shareholders' equity items.

Current tax is the tax payable with respect to the profit for the period, determined based on the percentages applied at the date of the consolidated statement of financial position and all the adjustments related to the previous periods. The adjustments which influence the fiscal base of the current tax are: non-deductible expenses, non-taxable income, similar expense/ income items and other tax deductions.

Similar expense items include the prudential filters representing "positive differences between prudential value adjustments/expected losses determined based on the prudential regulations of the NBR applicable starting with 2012 financial year and impairment adjustments according to IFRS, related to the financial assets subject to such methodologies, to the extent to which they are deducted from own funds according to the applicable prudential regulations".

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14. Income tax expense (continued)

From a tax point of view, prudential filters are deducted from the calculation of current tax and their reduction or cancellation is taxed in the order of their registration. As a result of legislative changes, the prudential filters are determined at a level of 20% of the differences mentioned in the previous paragraph. As at 30 June 2017 the Bank does not have prudential filters.

Deferred income tax assets are recognized for tax loss carried forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a business plan prepared by Bank's management. The business plan takes into consideration the development of a marginal increasing income base through organically growing and assuming moderate risks, tight control over costs and increased efficiency and maintenance of a good capital base and a steady liquidity position. The Bank merged with Volksbank Romania SA ("VBRO") on 31 December 2015 and took over also the previous period's fiscal losses incurred by VBRO to that date in total amount of RON 3,767,958 thousand.

As at 31 December 2016, the Bank recognized deferred income tax asset of RON 368,345 thousand (2015: RON 143,465 thousand) which refers to a fiscal loss carried forward amounting to RON 2,302,159 thousand (2015: RON 1,437,824 thousand without the effect of the bargain gain of RON 1,650,600 thousand) that can be carried forward against future taxable income. Consequently, as at 30 June 2017, the Bank registered tax loss carried forward in amounts of RON 1,757,700 thousand and a related deferred tax receivable in amount of RON 281,231 thousand.

In Romania, tax periods remain open for 7 years. Management estimates that the Bank will record sufficient taxable profit in the future periods from normal banking operations in order to recover the fiscal loss and that it will recover the profit tax receivables by approximative 2019.

In RON thousand	Group		Bank	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Gross profit	603,221	565,221	582,468	538,298
Income tax (2017: 16%; 2016: 16%)	96,515	90,435	93,195	86,128
Fiscal effect of income tax on the following elements:				
- Non-taxable income	(29,582)	(16,089)	(20,168)	(12,924)
- Non-deductible expense	25,681	9,673	13,384	6,838
Income tax expense	92,614	84,019	86,411	80,042

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15. Cash and cash equivalents with the Central Bank

In RON thousand	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Minimum reserve requirement	3,378,647	4,294,163	3,378,647	4,294,163
Cash on hand and other values	1,167,403	999,497	1,167,378	999,472
Total	4,546,050	5,293,660	4,546,025	5,293,635

Reconciliation of cash and cash equivalents with the consolidated and individual statement of financial position

In RON thousand	Note	Group		Bank	
		30-06-2017	31-06-2016	30-06-2017	30-06-2016
Cash and cash equivalents with the National Bank	15	4,546,050	5,096,741	4,546,025	5,096,698
Placements with banks, less than 3 months maturity		2,930,919	1,458,477	2,899,859	1,438,673
Reverse-repo transactions		580,575	336,837	580,575	336,837
Securities maturing in less than 3 months		105,825	100,452	105,825	100,452
Less accrued interest		(6,428)	(1,000)	(6,288)	(997)
Cash and cash equivalents in the cash flow statement		8,156,941	6,991,507	8,125,996	6,971,663

16. Placements with banks

In RON thousand	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Current accounts with other banks	1,247,298	240,191	1,227,355	232,081
Sight and term deposits with other banks	1,763,124	1,785,872	1,722,504	1,755,059
Reverse repo transactions	580,574	440,317	580,574	440,317
Loans and advances to banks - <i>reclassified securities (i)</i>	219,707	221,690	219,707	221,690
Loans and advances to credit institutions	193,484	97,435	193,485	97,435
Total	4,004,187	2,785,505	3,943,625	2,746,582

As of the beginning of the year until 30 June 2017, the Group and the Bank do not have any corporate bonds purchased and classified as loans and receivables.

Banca Transilvania S.A.

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17. Financial assets at fair value through profit or loss

In RON thousand	Group		The Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Equity instruments	189,282	145,156	65,260	51,979
Debt instruments	10,981	10,453	-	-
Derivatives	12,493	7,911	12,493	7,911
Total	212,756	163,520	77,753	59,890

As at 30 June 2017, the Group held shares listed on the Bucharest Stock Exchange and the main stock exchanges in Europe. As at 30 June 2017, the Group owns significant investments amounting to RON 122,643 thousand in the following entities: SIF Moldova S.A., SIF Muntenia SA and SIF Oltenia S.A. (31 December 2016: RON 104,860 thousand)

18. Loans and advances to customers

The Group's and Bank's commercial lending is focused on Romanian companies and individuals. The risk distribution of the credit portfolio per sectors, at 30 June 2017 and 31 December 2016, is the following:

In RON thousand	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Retail customers	15,938,481	15,252,725	15,759,039	15,086,402
Production	3,344,779	3,198,658	3,340,881	3,198,444
Trading	3,142,444	3,099,957	3,123,746	3,098,455
Agriculture	1,404,710	1,399,459	1,403,451	1,399,361
Construction	1,272,204	1,142,342	1,268,236	1,142,106
Services	1,144,410	1,139,734	1,136,098	1,138,819
Transport	828,146	720,730	815,730	719,868
Real estate	816,418	690,693	849,000	723,606
Self-employed	606,749	547,384	590,840	546,418
Others	661,902	526,748	648,209	524,618
Energy	249,437	502,967	249,437	502,967
Telecommunications	264,943	273,057	264,183	273,033
Financial institutions	152,676	141,964	1,020,905	759,762
Chemical industry	137,938	130,091	143,189	132,914
Mining	97,726	106,177	97,674	106,177
Fishing	16,349	16,175	16,349	16,175
Government institutions	9,758	10,602	9,758	10,602
Total loans and advances to customers before impairment allowance (*)	30,089,070	28,899,463	30,736,725	29,379,727
Less provisions for impairment allowance on loans	(2,008,763)	(2,189,061)	(1,995,007)	(2,169,751)
Total loans and advances to customers, net of provisions	28,080,307	26,710,402	28,741,718	27,209,976

(*) Total loans and advances before impairment allowance is reduced by the adjustments for fair value for the portfolio of loans transferred from VBRO, determined on the basis of the valuation report and the events after the acquisition date until the reporting date.

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18. Loans and advances to customers (continued)

At 30 June 2017 the balance of these adjustments for the Group was of RON 348,035 thousand (31 December 2016: RON 436,153 thousand) and for the Bank was RON 284,308 thousand (31 December 2015: 371,242 thousand).

The reversal of these adjustments, further to the review of the voluntary cash flows, is booked as Interest income.

Movement in allowance for impairment losses on loans and advances to customers:

	Group		Bank	
In RON thousand	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Balance at 1 January	2,189,061	2,720,694	2,169,751	2,632,486
Net impairment charge (Note 11)	150,825	1,023,342	156,377	1,013,123
Effect of discounting the current value	44,516	83,904	44,516	83,904
Impairment allowances on written off loans	(366,536)	(1,635,007)	(366,536)	(1,555,892)
Net foreign exchange loss	(9,103)	(3,872)	(9,101)	(3,870)
Balance at period ending	2,008,763	2,189,061	1,995,007	2,169,751

19. Net finance lease investments

The Group acts as a lessor under finance lease agreements, mainly for financing motor vehicles and equipment. The lease agreements are denominated in EUR, RON and MDL and typically run for a period between two and five years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease based on fixed interest rates.

The lease receivables are secured by the underlying assets and by other collateral. The breakdown of investments in leases according to their maturity is presented below:

In RON thousand	30-06-2017	31-12-2016
Investments in leases less than one year (gross)	322,758	272,573
Investments in leases between one and five years (gross)	441,067	356,984
Total investment in leases, gross	763,825	629,557
Unearned finance income	(60,000)	(51,110)
Total investments in leases, net unearned finance income	703,825	578,447
Impairment allowances	(60,770)	(54,804)
Total net leasing investment	643,055	523,643

The lease contracts are generated and managed through BT Leasing Transilvania IFN S.A. and BT Leasing Moldova S.R.L.

The provision for net lease investments can be further analyzed as follows:

In RON thousand	30-06-2017	31-12-2016
Balance at the beginning of the period	54,804	66,007
Net impairment provision expense	11,167	8,231
Written – off lease investment	(5,201)	(19,434)
Balance at the end of the period ending	60,770	54,804

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20. Investment securities

a) Investment securities available-for-sale

In RON thousand	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Investment securities available-for-sale				
<i>Unlisted debt and other fixed income instruments:</i>	14,269,588	14,734,560	14,255,240	14,709,895
Treasury securities issued by the Romanian Government, out of which:				
- discount certificates	8,115,110	8,670,006	8,100,762	8,645,341
- coupon certificates (RON)	389,393	354,964	389,393	354,964
- Benchmark bonds (RON)	11,505	28,168	11,505	28,168
- Treasury certificates with coupon (EUR)	6,752,265	7,575,903	6,737,917	7,551,238
EURO bonds issued by the Romanian Government on external markets	961,947	710,971	961,947	710,971
USD bonds issued by the Romanian Government on external markets	5,010,966	4,873,574	5,010,966	4,873,574
Bonds, out of which:	1,004,148	1,059,144	1,004,148	1,059,144
- issued by Bucharest Municipality	139,364	131,836	139,364	131,836
- issued by Alba Iulia Municipality	59,995	60,588	59,995	60,588
issued by BSTDB	413	439	413	439
issued by International Investment Bank	8,525	9,052	8,525	9,052
- issued by Transelectrica	34,282	33,283	34,282	33,283
- issued by Globalworth Real Estate Investments LTD	29,261	28,474	29,261	28,474
	6,888	-	6,888	-
Shares	54,228	48,653	54,111	48,548
Unit funds	198,239	168,802	366,447	320,288
Certificates of participation	47,956	38,701	47,956	38,701
<i>Equity investments measured at cost, out of which:</i>	3,112	3,112	3,092	3,092
Gross value	3,120	3,120	3,092	3,092
Allowances for impairment	(8)	(8)	-	-
Total investment securities available-for-sale	14,573,123	14,993,828	14,726,846	15,120,524

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21. Tangible assets, real-estate investments and intangible assets (including goodwill)

During the 6-month period ended 30 June 2017, the Group acquired tangible assets amounting to RON 106,836 thousand out of which RON 63,522 thousand related to the Bank, and property investments in amount of RON 1,024 thousand, of which RON 0 related to the Bank.

The net book value of tangible assets at the end of this period at Group level amounts to RON 623,316 thousand (as at 31 December 2016: RON 558,734 thousand) and for the Bank is in amount of RON 404,473 thousand (as at 31 December 2016: RON 370,305 thousand).

During the 6-month period ended 30 June 2017, the Group acquired intangible assets amounting to RON 35,915 thousand out of which RON 35,626 thousand related to the Bank.

The net book value of intangible assets (goodwill included) at the end of this period at Group level amounts to RON 107,538 thousand (as at 31 December 2016: RON 89,374 thousand) and for the Bank is in amount of RON 96,853 thousand (as at 31 December 2016: RON 78,396 thousand).

Group amortization expense for tangible and intangible assets at the end of the 6 months ended 30 June 2017, amounts to RON 56,990 thousand (30 June 2016: RON 45,153 thousand) of which related tangible and intangible assets of the Bank in amount of RON 41,235 thousand (30 June 2016: RON 35,680 thousand).

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22. Deferred tax assets and liabilities

Deferred tax assets/liabilities at Group level, as at 30 June 2017:

<i>In RON thousand</i>	<u>1 January 2017</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other items of comprehensive income</u>	<u>30 June 2017</u>
Tax effect of temporary deductible differences/tax subject (including tax losses carried forward), resulting from:				
Property and equipment and intangible assets	(4,454)	180	-	(4,274)
Financial assets at fair value through profit and loss	64	(9)	-	55
Financial assets available for sale	1,836	(16)	(21,633)	(19,813)
Other assets	225	234	7	466
Loans and receivables	576	(2,221)	-	(1,645)
Provisions and other liabilities	12,012	571	-	12,583
Tax losses carried forward	368,345	(87,114)	-	281,231
Other	112	-	19	131
Deferred tax asset / (liability)	<u>378,716</u>	<u>(88,375)</u>	<u>(21,607)</u>	<u>268,734</u>
Recognition of deferred tax asset	385,225	400	3,862	389,487
Recognition of deferred tax liability	(6,509)	(88,775)	(25,469)	(120,753)
Deferred tax asset / (liability)	<u>378,716</u>	<u>(88,375)</u>	<u>(21,607)</u>	<u>268,734</u>

Notes to the Condensed Consolidated and Individual Interim Financial Statements

22. Deferred tax assets and liabilities (continued)

Deferred tax assets/liabilities at Group level, as at 31 December 2016:

In RON thousand	<u>1 January 2016</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other items of comprehensive income</u>	<u>31 December 2016</u>
Tax effect of temporary deductible differences/tax subject (including tax losses carried forward), resulting from:				
Property and equipment and intangible assets	(4,417)	250	(287)	(4,454)
Financial assets at fair value through profit and loss	64	-	-	64
Financial assets available for sale	(33,392)	101	35,127	1,836
Other assets	120	99	6	225
Loans and receivables	(14)	590	-	576
Provisions and other liabilities	7,920	4,092	-	12,012
Tax losses carried forward	143,465	224,880	-	368,345
Other	160	-	(48)	112
Deferred tax asset / (liability)	113,906	230,012	34,798	378,716
Recognition of deferred tax asset	154,132	229,701	1,392	385,225
Recognition of deferred tax liability	(40,226)	311	33,406	(6,509)
Deferred tax asset / (liability)	113,906	230,012	34,798	378,716

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22. Deferred tax assets and liabilities (continued)

Deferred tax assets/liabilities at Bank level, as at 30 June 2017:

In RON thousand	<u>1 January 2017</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other items of comprehensive income</u>	<u>30 June 2017</u>
Tax effect of temporary deductible differences/tax subject (including tax losses carried forward), resulting from:				
Property and equipment and intangible assets	(4,418)	192	-	(4,226)
Financial assets available for sale	(2,055)	-	(25,469)	(27,524)
Other assets	225	(2)	7	230
Provisions and other liabilities	11,843	513	-	12,356
Tax losses carried forward	368,345	(87,114)	-	281,231
Deferred tax asset / (liability)	373,940	(86,411)	(25,462)	262,067
Recognition of deferred tax asset	380,413	705	7	381,125
Recognition of deferred tax liability	(6,473)	(87,116)	(25,469)	(119,058)
Deferred tax asset / (liability)	373,940	(86,411)	(25,462)	262,067

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22. Deferred tax assets and liabilities (continued)

Deferred tax assets/liabilities at Bank level, as at 31 December 2016:

In RON thousand	<u>1 January 2016</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other items of comprehensive income</u>	<u>31 December 2016</u>
Tax effect of temporary deductible differences/tax subject (including tax losses carried forward), resulting from:				
Property and equipment and intangible assets	(4,417)	285	(286)	(4,418)
Financial assets available for sale	(35,796)	-	33,741	(2,055)
Other assets	114	105	6	225
Provisions and other liabilities	7,796	4,047	-	11,843
Tax losses carried forward	143,465	224,880	-	368,345
Deferred tax asset / (liability)	111,162	229,317	33,461	373,940
	-	-	-	-
Recognition of deferred tax asset	151,375	229,032	6	380,413
Recognition of deferred tax liability	(40,213)	285	33,455	(6,473)
Deferred tax asset / (liability)	111,162	229,317	33,461	373,940

The tax rate used to calculate the current and deferred tax position at 30 June 2017 is 16% (30 June 2016: 16%). Deferred tax is determined based on the balance sheet liability method for the temporary differences between the fiscal base for the calculation of the tax on assets and liabilities and their accounting value. As at 31 December 2016 the Bank recognized a deferred tax asset of RON thousand 368,345 (2015: RON thousand 143,465) based on the projections related to future profits.

As at 30 June 2017, the Bank registered tax loss carry-forwards in amounts of RON 1,757,700 thousand and a related deferred tax receivable in amount of RON 281,232 thousand. Management estimates that the Bank will record sufficient taxable profit in the future periods from normal banking operations in order to recover the fiscal loss and that it will recover the profit tax receivables by approx. 2019.

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23. Other financial assets

In RON thousand	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Amounts under settlement	46,120	75,646	46,103	75,623
Sundry debtors and advances for non-current assets	76,038	73,877	70,213	51,109
Instruments received for collection	45,127	41,394	45,127	41,394
Other financial assets	1,866	9,722	1,717	5,406
Impairment allowance for other financial assets	(7,581)	(6,488)	(3,533)	(3,379)
Total	161,570	194,151	159,627	170,153

24. Other non-financial assets

In RON thousand	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Inventories and similar assets	104,250	105,503	76,069	77,905
Prepayments	29,852	28,690	25,865	26,091
VAT and other taxes to be received	16,351	9,188	2,968	796
Other non-financial assets	1,578	206	948	84
Impairment allowance for other non-financial assets	(26,203)	(30,690)	(17,900)	(20,402)
Total	125,828	112,897	87,950	84,474

25. Deposits from banks

In RON thousand	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Sight deposits	172,619	152,118	172,619	152,118
Term deposits	8,382	95,150	8,382	95,150
Total	181,001	247,268	181,001	247,268

26. Deposits from customers

In RON thousand	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Current accounts	16,882,722	14,996,775	16,962,143	15,071,687
Sight deposits	572,980	504,227	572,980	504,227
Term deposits	25,483,123	25,688,116	25,584,506	25,786,124
Collateral deposits	412,908	492,357	410,830	489,735
Total	43,351,733	41,681,475	43,530,459	41,851,773

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26. Deposits from customers (continued)

Deposits from customers can be also analyzed as follows:

In RON thousand	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Retail customers	28,020,079	26,358,368	28,019,995	26,355,402
Companies	15,331,654	15,323,107	15,510,464	15,496,371
Total	43,351,733	41,681,475	43,530,459	41,851,773

27. Loans from banks and other financial institutions

In RON thousand	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Loans from commercial banks	26,598	39,535	-	-
<i>Romanian banks</i>	26,598	39,535	-	-
<i>Foreign banks</i>	-	-	-	-
Loans from development banks	698,927	672,837	681,285	653,922
Repurchase agreements (repo transactions)	661,382	1,483,035	661,382	1,483,035
Other funds from financial institutions	82,479	109,504	82,479	109,504
Total	1,469,386	2,304,911	1,425,146	2,246,461

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

Bank	30-06-2017		31-12-2016	
	Minimum	Maximum	Minimum	Maximum
EUR	-0.85%	Euribor 6m+3.25%	-0.85%	Euribor 6m+3.25%
RON	0.00%	0.20%	0.00%	0.60%
USD	0.85%	Libor 6m+0.51%	0.40%	Libor 6m+0.51%

Group	30-06-2017		31-12-2016	
	Minimum	Maximum	Minimum	Maximum
EUR	-0.85%	Euribor 6m+3.75%	-0.85%	Euribor 3m+5.50%
RON	0.00%	Robor 3m + 1.45%	0.00%	Robor 3m + 1.45%
USD	0.85%	Libor 6m+0.51%	0.40%	Libor 6m+0.51%

As at 30 June 2017 and 31 December 2016 the Bank and the Group meet financial indicators required by the loan agreements with donors.

28. Subordinated liabilities

In RON thousand	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Loans from development banks and financial institutions	366,105	377,852	366,105	377,852
Convertible Bonds	46,357	46,259	46,357	46,259
Total	412,462	424,111	412,462	424,111

Subordinated debt includes subordinated loans from development banks and financial institutions, as well as convertible bonds.

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28. Subordinated liabilities (continued)

Subordinated loans are included in the following:

- Loan in the amount of EUR 15 million, equivalent to RON 68,309 thousand (31 December 2016: RON 68,117 thousand), contracted in 2013 at 6m Euribor + 6.2%, due in 2018;
- Loan in the amount of EUR 25 million, equivalent to RON 113,848 thousand 31 December 2016: RON 113,528 thousand), contracted in 2013 at 6m Euribor + 6.2%, due 2023;
- Loan in the amount of EUR 5 million, equivalent to RON 22,770 thousand (31 December 2016 : RON 22,706 thousand) contracted in 2012 to 6m Euribor + 6.50%, maturing in 2018;
- Loan in the amount of 40 million USD, equivalent to RON 159,660 thousand (31 December 2016: RON 172,132 thousand) contracted in 2014 to 6m Libor + 5.80%, due 2023.

The Bank issued EUR 30 million convertible bonds (RON 136,617 thousand equivalent) during 2013, bearing a coupon of EURIBOR 6M+ 6.25% interest and due in 2020. The outstanding bonds include the option of the holder to convert them into shares. The value of convertible bonds as at 30 June 2017 was EUR 9,904,758/equivalent RON 45,105 thousand (as at 31 December 2016 EUR 9,904,758, equivalent RON 44,979 thousand).

Accrued interest on subordinated debt as at 30 June 2017 amounts to RON 1,252 thousand (31 December 2016: RON 1,280 thousand).

29. Provisions for other risks and loan commitments

The following items are included under Provisions for other risks and loan commitments:

In RON thousand	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Provisions for loan commitments	50,902	45,230	50,906	45,242
Provisions for employee benefits as compensated absences	4,214	6,497	4,000	5,000
Provisions for other employee benefits	36,686	25,989	34,874	24,491
Provisions for other risks and charges (*)	419,253	436,866	414,620	432,222
Total	511,055	514,582	504,400	506,955

(*)Provisions for risks and charges primarily include provisions for litigation and other risks taken after the merger of Volksbank Romania SA.

30. Other financial liabilities

In RON thousand	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Amounts under settlement	450,569	366,267	447,208	362,833
Sundry creditors	61,346	55,205	33,645	31,262
Liabilities related to leasing	1,437	1,651	-	-
Held for trading financial liabilities	9,268	10,947	9,268	10,947
Other financial liabilities*	246,105	35,905	245,439	36,116
Total	768,725	469,975	735,560	441,158

(*)Amount as at 30 June 2017 includes dividends to be paid

31. Other non-financial liabilities

In RON thousand	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Amounts under settlement	53,794	41,288	448	412
Other taxes payable	25,996	22,911	23,768	20,687
Other non-financial liabilities	42,573	47,670	41,218	46,688
Total	122,363	111,869	65,434	67,787

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32. Share Capital

The statutory share capital of the Bank at 30 June 2017, as recorded with the Trade Register was represented by 3,646,047,792 ordinary shares with a nominal value of RON 1 each (at 31 December 2016: 3,646,047,792 shares with a nominal value of RON 1 each). The shareholding structure is presented in Note 1.

33. Reserves from available-for-sale assets

As at 30 June 2017 and 31 December 2016, AFS reserves consisted in:

In RON thousand	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
As at January 1	(8,791)	175,511	10,790	187,928
Fair value gains/(losses) recognised in equity, net of tax, on available-for-sale instruments	134,942	(219,403)	159,180	(210,878)
Tax	(21,584)	35,101	(25,468)	33,740
Total AFS reserves	104,567	(8,791)	144,502	10,790

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34. Related-party transactions:

Entities are considered to be related parties if one of them has the capacity to control the other or to exercise significant influence on the other entity's management process related to financial or operational decisions.

The Group and the Bank are engaged in transactions with related parties, shareholders and key management personnel. All these transactions were carried out under conditions similar to those applicable to third party agreements, in terms of interest rates and collateral clauses. The transactions /balances with subsidiary entities were eliminated from the scope of consolidation.

Transactions with other related parties include transactions with the major shareholders, family members of the key management personnel and companies where they are shareholders, and pursuing a relationship with the Bank.

The transactions /balances with subsidiary entities are presented below:

<i>Group - RON thousand</i>	30-06-2017			31-12-2016		
	Key management	Other related-	Total	Key management	Other related-	Total
Assets						
Granted loans	17,893	36,854	54,747	17,958	16,471	34,429
Liabilities						
Deposits from customers	27,103	101,793	128,896	26,243	152,097	178,340
Loans from financial institutions	-	124,582	124,582	-	159,225	159,225
Subordinated loans	-	160,543	160,543	-	172,989	172,989
Debt securities	-	20,518	20,518	-	20,474	20,474
Commitments						
Loan commitments and financial guarantees given	2,781	60,894	63,675	2,473	10,646	13,119
Notional value of exchange operations	7,076	10,279	17,355	20,011	25,909	45,920
Profit and loss account						
	30-06-2017			30-06-2016		
Interest income	263	556	819	395	165	560
Interest expense	59	8,828	8,887	81	10,357	10,438
Fee and commission income	4	101	105	5	51	56
Fee and commission expense	-	2	2	-	-	-

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34. Related-party transactions (continued)

Bank - In RON thousand

	30-06-2017				31-12-2016			
	Subsidiaries	Key management personnel	Other related-parties	Total	Subsidiaries	Key management personnel	Other related-parties	Total
Assets								
Granted loans	900,555	14,204	36,661	951,420	649,758	15,742	16,356	681,856
Equity investments	277,865	-	-	277,865	311,980	-	-	311,980
Other assets	20,999	-	-	20,999	2,543	-	-	2,543
Liabilities								
Deposits from customers	181,527	23,093	99,380	304,000	173,400	21,067	147,529	341,996
Loans from financial institutions	-	-	106,939	106,939	-	-	140,316	140,316
Subordinated loans	-	-	160,543	160,543	-	-	172,989	172,989
Debt securities	-	-	20,518	20,518	-	-	20,474	20,474
Other liabilities	298	-	-	298	1,380	-	-	1,380
Commitments								
Loan commitments and financial guarantees given	87,370	2,453	60,756	150,579	182,612	2,159	10,578	195,349
Loan commitments and financial guarantees received	32,546	-	-	32,546	28,231	-	-	28,231
Notional value of exchange operations	66,195	4,633	9,853	80,681	124,382	17,460	25,301	167,143
Profit and loss account								
		30-06-2017				30-06-2016		
Interest income	7,607	217	551	8,375	5,940	369	158	6,467
Interest expense	203	51	8,623	8,877	101	68	9,405	9,574
Fee and commission income	2,952	3	97	3,052	1,490	4	47	1,541
Fee and commission expense	4,781	-	1	4,782	4,721	-	-	4,721
Expenses of losses from the derecognition of financial assets and liabilities at fair value through profit and loss	18	-	-	18	-	-	-	-
Dividend income	32,862	-	-	32,862	-	-	-	-
Other income	2,891	-	-	2,891	1,592	-	-	1,592
Other expenses	3,562	-	-	3,562	3,291	-	-	3,291

The explanatory notes to the financial statements pages 10 to 57 are an integral part of these financial statements.

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34. Related-party transactions (continued)

Transactions with key management personnel

The total salaries paid to the Board of Director's members and executive management of the Group during 2017 amounted to RON 8,842 thousand (30 June 2016: RON 6,501 thousand), and to those of the Bank amounted to RON 5,341 thousand (30 June 2016: RON 4,529 thousand).

35. Commitments and contingencies

a) Commitments and contingencies

At any time the Group and the Bank have outstanding commitments to extend loans. These commitments are in the form of approved limits for credit cards 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 Group 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. Maturities are not concentrated in a specific period.

The contractual amounts of commitments and contingent liabilities are set out in the following table by categories. The amounts are reflected in the table assuming that they have been fully granted.

The amounts reflected in the table as guarantees and letters of credit represent the maximum accounting loss that would have been recognized at the balance sheet date if counterparties had completely failed to meet the contractual terms and conditions.

<i>In RON thousand</i>	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Issued guarantees	1,882,545	1,750,899	1,885,172	1,758,712
Loan commitments	5,219,408	5,235,076	5,404,304	5,376,770
Total	7,101,953	6,985,975	7,289,476	7,135,482

Provisions recorded for loan commitments granted to customers were in amount of RON 50,902 thousands (31 December 2016 : RON 45,230 thousand) at Group level, while the Bank booked provisions in amount of RON 50,906 thousand (31 December 2016: RON 45,242 thousand).

b) Transfer prices and taxes

The taxation system in Romania has been subject to the many amendments during the past years and is constantly updated and redesigned.

Therefore, there are still different interpretations of the fiscal legislation. In certain situations, the tax authorities may treat certain aspects differently, calculating certain additional taxes and charges and related interest and penalties (at present, in total amount of 0.05% per day of default). In Romania, the fiscal year remains open for tax review for a period of 5 years. The Bank's management consider that the tax obligations herein are correctly rendered.

The Romanian tax legislation includes the "market value" principle, pursuant to which the transactions between affiliated parties must be performed at the market value. The taxpayers that perform transactions with affiliated entities must prepare a Transfer Price file to be submitted to the tax authorities, upon request.

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Notes to the Condensed Consolidated and Individual Interim
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35. Commitments and contingencies (continued)

Failure to submit the transfer price file or the submission of an incomplete file may result in the application of penalties for non-compliance; In addition to the contents of the transfer price file, the tax authorities may interpret transactions and circumstances differently as compared to the management's interpretation and consequently, they may impose additional tax obligations resulting from the adjustment of transfer prices.

b) Transfer prices and taxes (continued)

The management of the Group and of the Bank considers that it will not suffer losses in the event of a tax audit for the purpose of verifying transfer prices. However, the impact of interpretations made differently by the tax authorities cannot be estimated in a reliable manner. This may be significant for the financial position and/or for the Bank's operations.

36. Earnings per share

The calculation of basic earnings per share was based on net consolidated profit attributable to ordinary shareholders of the parent (the Bank) of RON 511,246 thousand (30 June 2016: RON 479,716 thousand) and on the weighted average of the ordinary shares outstanding during the year of 4,308,237,562 shares (30 June 2016 4,340,526,026 shares).

Diluted earnings per share consider the adjusted net consolidated profit of RON 512,606 thousand (30 June 2016: RON 481,122 thousand), attributable to ordinary shareholders of the parent (Bank) and the weighted average of the outstanding diluted ordinary shares. The adjusted net consolidated profit has been calculated adjusting the basic profit with the interest paid for bonds in H1, 2017, in amount of RON 1,360 thousand (30 June 2016: RON 1,406 thousand). The weighted average number of diluted shares has been calculated by adding the shares that would have been issued upon the conversion of all the potential diluted shares into ordinary shares to the weighted average number of ordinary shares.

The weighted average of diluted outstanding shares as at 30 June 2017 has been calculated as the relation between the balance of the bonds in amount of RON 45,105,277.46 and the conversion price of 2.78, thus resulting a number of 16,224,920 shares (30 June 2016: 18,508,057 shares)

	Group	
	2017	2016
Ordinary shares issued as at 1 January	3,646,047,792	3,026,003,679
Effect of shares issued during the year	695,388,129	619,134,218
Effect of shares redeemed during the year	(33,198,359)	-
The retroactive adjustment of the weighted average of outstanding shares as at 30 June 2016	-	695,388,129
Weighted average number of shares as at 30 June	4,308,237,562	4,340,526,026
Number of shares that can be issued by converting the bonds into shares	16,224,920	18,508,057
Weighted average number of diluted shares as at 30 June	4,324,462,482	4,359,034,083

The earning per share reflects the capital increase to be registered in August 2017 in amount of RON 695,388,129 (after the reporting period, but before the release of the financial statements).

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Notes to the Condensed Consolidated and Individual Interim Financial Statements

37. Capital Management

The internal capital adequacy assessment process within Banca Transilvania is part of the administration and management process of the credit institution, of its decision-making culture, which states that the management body ensures the proper identification, measurement, aggregation and monitoring of the institution's risks, and provides for an adequate internal capital in line with the risk profile and the use and development of sound risk management systems.

The National Bank of Romania monitors capital requirements both at the Bank and at the Group level.

Capital adequacy is determined according to the European Union Regulation (EU) No 575/2013 of the European Parliament and of the Council and impose a minimum mandatory level of own funds level of:

- 4.5 % for core tier 1 own funds;
- 6.0 % for tier 1 own funds;
- 8.0 % for total own funds,

Likewise, pursuant to the regulated approaches for the determination of the minimum capital requirements and EU Regulation 575/2013 in correlation with the provisions of NBR's Regulation no. 5/2013 and considering the capital buffers imposed by the National Bank of Romania, the Bank and the Group maintain:

- the capital preservation buffer in amount of 0.625% of the total value of the risk-weighted exposures between 1 January 2017- 30 June 2017;
- the O-SII buffer in amount of 1% of the total risk weighted exposures

Own funds adequacy

The Bank and the Group use the following calculation methods for required capital allocation:

- Credit risk: standardised method;
- Market risk: capital requirements with respect to the foreign exchange risk and the trading portfolio are calculated based on the standard method;
- Operational risk: capital requirements for the coverage of operational risk are calculated according to the base indicator method.

The Bank and the Group comply with the above regulations, the level of the capital adequacy ratio exceeding the minimum mandatory requirements imposed by the law.

As at 30 June 2017, and 31 December 2016, as well as during the years 2017 and 2016, the Group and the Bank complied with all the capital adequacy requirements.

The Group's and the Bank's own funds are based on the applicable legal requirements on regulatory capital and include:

- Tier I, which includes subscribed and paid in capital, share premiums, eligible reserves, retained earnings and deductions laid down in the applicable legal provisions;
- Tier II, which includes subordinated loans and deductions laid down in the applicable legal provisions;

Notes to the Condensed Consolidated and Individual Interim Financial Statements

37. Capital Management (continued)

Own funds adequacy (continued)

The Group manages its capital base in a flexible manner, by monitoring regulatory capital requirements, by anticipating the adequate adjustments required for the achievement of its objectives, as well as by optimizing the structure of assets and shareholders' equity. Planning and monitoring take into consideration the total own funds on the one hand and the own funds requirements, on the other hand.

The level and the requirements of own funds as at 30 June 2017 and 31 December 2016 were as follows:

In RON thousand	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Tier 1 own funds	5,523,916	5,306,452	5,366,644	5,179,562
Tier 2 own funds	323,543	350,191	323,543	350,191
Total own funds	5,847,459	5,656,643	5,690,187	5,529,753
Credit risk exposure	21,226,650	20,798,160	21,007,458	20,671,529
Market risk, FX risk, delivery risk exposure	5,104,816	5,487,764	5,069,586	5,426,462
Operational risk exposure	5,137,532	4,280,859	4,930,163	4,120,310
Risk exposure for the adjustment of credit assessment	2,868	3,635	2,868	3,635
Total risk exposure	31,471,866	30,570,418	31,010,075	30,221,936

The capital adequacy ratio (CAR) is calculated as a ratio between own funds and total risk-weighted assets:

In %	Group		Bank	
	30-06-2017	31-12-2016	30-06-2017	31-12-2016
Core tier one ratio	17.55	17.36	17.31	17.14
Tier one ratio	17.55	17.36	17.31	17.14
CAR	18.58	18.50	18.35	18.30

Note: The calculation of the Group's and the Bank's own funds takes into account the statutory profit of the Group, respectively of the Bank for the financial years ended on 30 June 2017 and on 31 December 2016. Regulatory capital as at 30 June 2017 and 31 December 2016 was calculated according to the IFRS standards endorsed by the European Union. The calculation of the capital adequacy ratio for 30 June 2017 has not considered the interim profit for 2017.

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Notes to the Condensed Consolidated and Individual Interim Financial Statements

38. Reclassification of comparative figures of 2016

In accordance with IAS 1 “Presentation of Financial Statements”, if an entity has made a restatement, it is required to submit the reclassification of comparative values of the previous year.

The Bank's management has taken into account the nature of the abovementioned restatements, and, in particular, the fact that it is limited to the reclassification of cash flow and own funds items. When necessary, comparative figures have been reclassified in order to be in line with the changes from the current period presentation. These changes were made in order for the Group and the Bank to submit the presentation of its consolidated and individual financial position as fair as possible. In order to facilitate the understanding of such statements, the table below lists the reported figures, reclassifications and adjusted values in the consolidated and individual statement of cash flows and the consolidated and individual own funds.

i) The reclassification of the comparative figures of the consolidated and individual statement of cash flows is presented below:

RON thousand – 30 June 2016

<u>Description</u>	Group			The Bank		
	Reported statement of cash flows	Reclassification / Adjustments	Adjusted statement of cash flows	Reported statement of cash flows	Reclassification / Adjustments	Adjusted statement of cash flows
Profit for the year	481.071	-	481.071	458.256	-	458.256
Adjustments for:						
Revenues from the increase of recoverable amount of purchased loans and advances to customers	(61.314)	61.314	-	(61.266)	61.266	-
Income tax paid/collected	79.942	(79.942)	-	82.999	(82.999)	-
Other adjustments	(30.219)	55.113	24.894	(29.226)	13.152	(16.074)
Net profit adjusted with non-monetary elements	85.926	36.485	122.411	66.430	(8.581)	57.849
Changes in operating assets and liabilities						
Change in loans and advances to customers	(843.150)	(61.316)	(904.466)	(1.017.205)	(61.266)	(1.078.471)
Change in other assets	3.046	(3.046)	-	32.135	(32.135)	-
Change in other financial assets	-	2.741	2.741	-	90.229	90.229
Change in other assets	-	(83.691)	(83.691)	-	(58.094)	(58.094)
Change in other liabilities	200.655	(200.655)	-	182.095	(182.095)	-
Change in other financial liabilities	-	240.765	240.765	-	209.442	209.442
Change in other liabilities	-	82.075	82.075	-	55.652	55.652
Net cash from/ (used in) operating activities	(604.592)	13.358	(591.234)	(761.551)	13.152	(748.399)
Cash-flows from / (used in) investment activities						
Net acquisition of tangible and intangible assets	(94.240)	94.240	-	(35.878)	35.878	-
Acquisition of tangible assets	-	(79.328)	(79.328)	-	(26.496)	(26.496)
Acquisition of intangible assets	-	(14.912)	(14.912)	-	(9.382)	(9.382)
Acquisition of held-to-maturity investments	-	(3.770)	(3.770)	-	-	-
Net cash flow from / (used in) investment activities	(95.038)	(3.770)	(98.808)	(29.988)	-	(29.988)

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Notes to the Condensed Consolidated and Individual Interim Financial Statements

38. Reclassification of comparative figures of 2016 (continued)

i) The reclassification of the comparative figures of the consolidated and individual statement of cash flows is presented below:

RON thousand – 30 June 2016

<u>Description</u>	Group			The Bank		
	Reported statement of cash flows	Reclassifications / Adjustments	Adjusted statement of cash flows	Reported statement of cash flows	Reclassification on / Adjustments	Adjusted statement of cash flows
Cash flow from/ (used in) the financing activity						
Net proceeds (payments) from loans from banks and other financial institutions, subordinated debt and issued bonds, net of payments	275.333	(275.333)	-	353.845	(353.845)	-
* Gross proceeds from loans from banks and other financial institutions	-	3.759.455	3.759.455	-	3.759.625	3.759.625
* Gross payments from loans from banks and other financial institutions	-	(3.484.328)	(3.484.328)	-	(3.405.780)	(3.405.780)
Gross payments from subordinated liabilities	-	(13.152)	(13.152)	-	(13.152)	(13.152)
Acquisition of securities held-to-maturity	(3.770)	3.770	-	-	-	-
Net cash flow from / (used in) financing activities	(916.099)	(9.588)	(925.687)	(833.817)	(13.152)	(846.969)

In 2016 the Bank and, respectively, the Group recorded reclassifications/adjustments with impact on the comparative figures presented in the Individual and Consolidated Statement for Cash-Flows for the six-months period ended 30 June 2016:

- Presentation of interest collected and paid and, respectively, interest income and expense in the cash-flows from operating activities;
- Distinct presentation of cash-flows from financial assets and cash-flows from non-financial assets, in accordance with modifications made to the Statement of Financial Position;
- Distinct presentation of cash-flows from financial liabilities and cash-flows from non-financial liabilities, in accordance with modifications made to the Statement of Financial Position;
- Individual presentation of cash-flows used for the acquisition of tangible and intangible assets;
- Individual presentation of gross receipts and payments from borrowings from banks and other financial institutions;
- Individual presentation of gross receipts and payments from subordinated loans;
- Reclassification of the acquisition of held-to-maturity investments from operating activities to investing activities.

ii) The comparative figures of Own Funds of the Group and Bank, as updated after the approval of the dividend distribution by the General Meeting of Shareholders of 26 April 2017 are presented below:

RON thousand – 31 December 2016

<u>Description</u>	Group			The Bank		
	Reported own funds	Adjustments	Adjusted own funds	Reported own funds	Adjustments	Adjusted own funds
Tier 1 capital	5,525,452	(219,000)	5,306,452	5,398,562	(219,000)	5,179,562
Tier 2 capital	350,191	0	350,191	350,191	0	350,191
Total capital base	5,875,643	(219,000)	5,656,643	5,748,753	(219,000)	5,529,753

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38. Reclassification of comparative figures of 2016 (continued)

Following the approval of the Financial Statements for 2016 in the General Meeting of Shareholders of 27 April 2017, the shareholders approved the distribution of dividends in cash in amount of RON 219,000 thousand. This amount has generated the adjustment of own funds for 2016, both at individual and consolidated level, in accordance with the legal provisions, after the publishing of the consolidated and individual financial statements for 2016.

39. Events subsequent to the date of the consolidated financial position

On 6 July 2017 the Bank sold a portfolio of non-performing exposures that had been previously written-off, at a price of RON 95.9 million, collected on 24 July 2017.

Ömer Tetik
CEO

George Călinescu
Deputy CEO